

BANK OF AMERICA CORP /DE/

Form 10-Q

May 09, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State of incorporation:

Delaware

IRS Employer Identification Number:

56-0906609

Address of principal executive offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

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(704) 386-5681

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

On April 30, 2007, there were 4,437,771,404 shares of Bank of America Corporation Common Stock outstanding.

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Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Statement of Income**

(Dollars in millions, except per share information)	Three Months Ended March 31	
	2007	2006
Interest income		
Interest and fees on loans and leases	\$ 12,884	\$ 11,127
Interest on debt securities	2,380	3,014
Federal funds sold and securities purchased under agreements to resell	1,979	1,709
Trading account assets	2,273	1,548
Other interest income	1,044	727
Total interest income	20,560	18,125
Interest expense		
Deposits	4,034	3,007
Short-term borrowings	5,318	4,309
Trading account liabilities	892	517
Long-term debt	2,048	1,516
Total interest expense	12,292	9,349
Net interest income	8,268	8,776
Noninterest income		
Card income	3,333	3,434
Service charges	2,072	1,901
Investment and brokerage services	1,149	1,103
Investment banking income	638	501
Equity investment gains	1,014	718
Trading account profits	872	1,060
Mortgage banking income	213	137
Other income	534	47
Total noninterest income	9,825	8,901
Total revenue	18,093	17,677
Provision for credit losses	1,235	1,270
Gains on sales of debt securities	62	14
Noninterest expense		
Personnel	5,025	4,813
Occupancy	713	701
Equipment	350	344
Marketing	555	575
Professional fees	229	218
Amortization of intangibles	389	440
Data processing	437	410
Telecommunications	251	220
Other general operating	1,037	1,105
Merger and restructuring charges	111	98
Total noninterest expense	9,097	8,924
Income before income taxes	7,823	7,497
Income tax expense	2,568	2,511
Net income	\$ 5,255	\$ 4,986
Net income available to common shareholders	\$ 5,209	\$ 4,981
Per common share information		
Earnings	\$ 1.18	\$ 1.08
Diluted earnings	\$ 1.16	\$ 1.07
Dividends paid	\$ 0.56	\$ 0.50
Average common shares issued and outstanding (in thousands)	4,432,664	4,609,481

Average diluted common shares issued and outstanding (in thousands)	4,497,028	4,666,405
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See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Balance Sheet**

(Dollars in millions)	March 31 2007	December 31 2006
Assets		
Cash and cash equivalents	\$ 31,549	\$ 36,429
Time deposits placed and other short-term investments	12,037	13,952
Federal funds sold and securities purchased under agreements to resell (includes \$1,490 measured at fair value at March 31, 2007 and \$138,639 and \$135,409 pledged as collateral)	138,646	135,478
Trading account assets (includes \$70,501 and \$92,274 pledged as collateral)	174,218	153,052
Derivative assets	25,279	23,439
Debt securities:		
Available-for-sale (includes \$127,143 and \$83,785 pledged as collateral)	180,961	192,806
Held-to-maturity, at cost (market value \$925 and \$40)	925	40
Total debt securities	181,886	192,846
Loans and leases (includes \$3,859 measured at fair value at March 31, 2007 and \$42,306 and \$14,290 pledged as collateral)	723,633	706,490
Allowance for loan and lease losses	(8,732)	(9,016)
Loans and leases, net of allowance	714,901	697,474
Premises and equipment, net	9,271	9,255
Mortgage servicing rights (includes \$2,963 and \$2,869 measured at fair value)	3,141	3,045
Goodwill	65,696	65,662
Intangible assets	9,217	9,422
Other assets (includes \$27,565 measured at fair value at March 31, 2007)	136,316	119,683
Total assets	\$ 1,502,157	\$ 1,459,737
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	\$ 174,082	\$ 180,231
Interest-bearing (includes \$554 measured at fair value at March 31, 2007)	425,197	418,100
Deposits in foreign offices:		
Noninterest-bearing	3,346	4,577
Interest-bearing	90,176	90,589
Total deposits	692,801	693,497
Federal funds purchased and securities sold under agreements to repurchase	234,413	217,527
Trading account liabilities	77,289	67,670
Derivative liabilities	17,946	16,339
Commercial paper and other short-term borrowings	156,844	141,300
Accrued expenses and other liabilities (includes \$377 measured at fair value at March 31, 2007 and \$374 and \$397 of reserve for unfunded lending commitments)	35,446	42,132
Long-term debt	152,562	146,000
Total liabilities	1,367,301	1,324,465
Commitments and contingencies (Notes 8 and 10)		
Shareholders equity		
Preferred stock, \$0.01 par value; authorized 100,000,000 shares; issued and outstanding 121,739 shares	2,851	2,851
Common stock and additional paid-in capital, \$0.01 par value; authorized 7,500,000,000 shares; issued and outstanding 4,439,069,837 and 4,458,151,391 shares	60,536	61,574
Retained earnings	79,996	79,024
Accumulated other comprehensive income (loss)	(7,660)	(7,711)
Other	(867)	(466)
Total shareholders equity	134,856	135,272
Total liabilities and shareholders equity	\$ 1,502,157	\$ 1,459,737

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Statement of Changes in Shareholders' Equity**

(Dollars in millions, shares in thousands)	Common Stock and Additional Paid-in Capital			Accumulated Other Comprehensive Income			Total Shareholders' Comprehensive	
	Preferred Stock	Shares	Amount	Retained Earnings	(Loss) ⁽¹⁾	Other	Equity	Income
Balance, December 31, 2005	\$ 271	3,999,688	\$ 41,693	\$ 67,552	\$ (7,556)	\$ (427)	\$ 101,533	
Net income				4,986			4,986	\$ 4,986
Net changes in unrealized losses on available-for-sale debt and marketable equity securities					(2,019)		(2,019)	(2,019)
Net changes in unrealized gains on foreign currency translation adjustments					42		42	42
Net changes in derivatives					552		552	552
Cash dividends paid:								
Common				(2,329)			(2,329)	
Preferred				(5)			(5)	
Common stock issued under employee plans and related tax benefits		38,935	1,704			(346)	1,358	
Stock issued in acquisition ⁽²⁾		631,145	29,377				29,377	
Common stock repurchased		(88,450)	(4,069)				(4,069)	
Balance, March 31, 2006	\$ 271	4,581,318	\$ 68,705	\$ 70,204	\$ (8,981)	\$ (773)	\$ 129,426	\$ 3,561
Balance, December 31, 2006	\$ 2,851	4,458,151	\$ 61,574	\$ 79,024	\$ (7,711)	\$ (466)	\$ 135,272	
Cumulative adjustment for accounting changes ⁽³⁾ :								
Leveraged leases				(1,381)			(1,381)	
Fair value option and measurement				(208)			(208)	
Income tax uncertainties				(146)			(146)	
Net income				5,255			5,255	\$ 5,255
Net changes in unrealized losses on available-for-sale debt and marketable equity securities					(108)		(108)	(108)
Net changes in unrealized losses on foreign currency translation adjustments					(12)		(12)	(12)
Net changes in derivatives					140		140	140
Amortization of costs included in net periodic benefit costs					31		31	31
Cash dividends paid:								
Common				(2,502)			(2,502)	
Preferred				(46)			(46)	
Common stock issued under employee plans and related tax benefits		28,919	1,468			(401)	1,067	
Common stock repurchased		(48,000)	(2,506)				(2,506)	
Balance, March 31, 2007	\$ 2,851	4,439,070	\$ 60,536	\$ 79,996	\$ (7,660)	\$ (867)	\$ 134,856	\$ 5,306

⁽¹⁾ At March 31, 2007 and December 31, 2006, accumulated other comprehensive income (loss) (OCI) includes net gains (losses) on derivatives of \$(3,557) million and \$(3,697) million; net unrealized gains (losses) on available-for-sale (AFS) debt and marketable equity securities of \$(2,841) million and \$(2,733) million; unamortized net periodic benefit costs of \$(1,397) million and \$(1,428) million, and net unrealized gains (losses) on foreign currency translation adjustments of \$135 million and \$147 million. Amounts shown are net of tax. For additional information on accumulated OCI, see Note 11 of the Consolidated Financial Statements.

⁽²⁾ Includes adjustment for the fair value of outstanding MBNA Corporation (MBNA) stock options of \$435 million.

⁽³⁾ Effective January 1, 2007, the Corporation adopted FSP 13-2, SFAS 157, SFAS 159 and FIN 48. For additional information on the adoption of these accounting pronouncements, see Note 1 of the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Statement of Cash Flows**

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Operating activities		
Net income	\$ 5,255	\$ 4,986
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	1,235	1,270
Gains on sales of debt securities	(62)	(14)
Depreciation and premises improvements amortization	275	278
Amortization of intangibles	389	440
Deferred income tax expense	244	326
Net (increase) decrease in trading and derivative instruments	(8,356)	18,388
Net increase in other assets	(12,126)	(15,790)
Net increase (decrease) in accrued expenses and other liabilities	(6,740)	487
Other operating activities, net	255	(1,873)
Net cash provided by (used in) operating activities	(19,631)	8,498
Investing activities		
Net decrease in time deposits placed and other short-term investments	1,927	2,671
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	(3,348)	12,704
Proceeds from sales of available-for-sale debt securities	4,173	7,032
Proceeds from paydowns and maturities of available-for-sale debt securities	5,157	5,357
Purchases of available-for-sale debt securities	(2,934)	(26,548)
Proceeds from maturities of held-to-maturity debt securities	24	
Proceeds from sales of loans and leases	17,527	6,819
Other changes in loans and leases, net	(44,304)	(16,442)
Net (purchases) dispositions of premises and equipment	(358)	140
Proceeds from sales of foreclosed properties	38	32
(Acquisition) divestiture of business activities, net	(460)	(3,519)
Other investing activities, net	(2,040)	(380)
Net cash used in investing activities	(24,598)	(12,134)
Financing activities		
Net increase in deposits	4,471	19,021
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	16,985	(4,521)
Net increase (decrease) in commercial paper and other short-term borrowings	15,617	(18,828)
Proceeds from issuance of long-term debt	16,927	10,197
Retirement of long-term debt	(10,050)	(1,330)
Proceeds from issuance of common stock	323	948
Common stock repurchased	(2,506)	(4,069)
Cash dividends paid	(2,548)	(2,334)
Excess tax benefits of share-based payments	148	75
Other financing activities, net	(10)	50
Net cash provided by (used in) financing activities	39,357	(791)
Effect of exchange rate changes on cash and cash equivalents	(8)	3
Net decrease in cash and cash equivalents	(4,880)	(4,424)
Cash and cash equivalents at January 1	36,429	36,999
Cash and cash equivalents at March 31	\$ 31,549	\$ 32,575

During the three months ended March 31, 2007, the Corporation sold its operations in Chile and Uruguay for equity in Banco Itaú Holding Financeira S.A. and its assets in BankBoston Argentina for the assumption of its liabilities. The total assets and liabilities in these divestitures were \$6.1 billion and \$5.6 billion.

During the three months ended March 31, 2007, there were \$3.7 billion of AFS debt securities that were transferred to trading account assets following the adoption of SFAS 159.

The fair values of noncash assets acquired and liabilities assumed in the MBNA merger were \$83.3 billion and \$50.4 billion at January 1, 2006.

Approximately 631 million shares of common stock, valued at approximately \$28.9 billion were issued in connection with the MBNA merger at January 1, 2006.

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See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Bank of America Corporation and its subsidiaries (the Corporation), through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At March 31, 2007, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and FIA Card Services, N.A.

NOTE 1 Summary of Significant Accounting Principles

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated.

The information contained in the Consolidated Financial Statements is unaudited. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. Results of operations of companies purchased are included from the dates of acquisition.

Effective January 1, 2007, the Corporation changed its basis of presentation for its business segments. For additional information see Note 16 of the Consolidated Financial Statements.

Prior period amounts have been reclassified to conform to current period presentation.

Recently Adopted Accounting Pronouncements

Effective January 1, 2007, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157) and SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States (GAAP) and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The impact of adopting both SFAS 157 and SFAS 159 reduced the beginning balance of retained earnings as of January 1, 2007 by \$208 million, net of tax. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings when they occur. For additional information on the fair value of certain financial assets and liabilities, see Note 14 of the Consolidated Financial Statements.

Effective January 1, 2007, the Corporation adopted FASB Staff Position (FSP) No. FAS 13-2, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction (FSP 13-2). The principal provision of FSP 13-2 is the requirement that a lessor recalculate the recognition of lease income when there is a change in the estimated timing of the cash flows relating to income taxes generated by such leveraged lease. The adoption of FSP 13-2 reduced the beginning balance of retained earnings as of January 1, 2007 by \$1,381 million, net of tax, with a corresponding offset decreasing the net investment in leveraged leases recorded as part of loans and leases. Following the adoption, if during the remainder of the lease term the timing of the income tax cash flows generated by the leveraged leases are revised as a result of final determination by the Internal Revenue Service of certain leveraged leases or management changes its assumption about the timing of the tax cash flows, the rate of return shall be recalculated from the inception of the lease using the revised assumption and the change in the net investment shall be recognized as a gain or loss in the year in which the assumption is changed.

Effective January 1, 2007, the Corporation adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a

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comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. The adoption of FIN 48 reduced the beginning balance of retained earnings as of January 1, 2007 by \$146 million and increased goodwill by \$52 million. For additional information on income taxes, see Note 13 of the Consolidated Financial Statements.

For additional information on recently issued accounting pronouncements and other significant accounting principles, see Note 1 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

NOTE 2 MBNA Merger and Restructuring Activity

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA through a tax-free merger. MBNA's results of operations were included in the Corporation's results beginning January 1, 2006.

Merger and Restructuring Charges

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and MBNA. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges.

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Severance and employee-related charges	\$ 12	\$ 20
Systems integrations and related charges	79	48
Other	20	30
Total merger and restructuring charges	\$ 111	\$ 98

Exit Cost and Restructuring Reserves

As of December 31, 2006, there were \$125 million of exit cost reserves, including \$121 million for severance, relocation and other employee-related expenses and \$4 million for contract terminations. Cash payments of \$26 million during the three months ended March 31, 2007 consisted of \$24 million of severance, relocation and other employee-related costs and \$2 million of contract terminations. The impact of these items reduced the balance in the liability to \$99 million at March 31, 2007.

As of December 31, 2006, there were \$67 million of restructuring reserves remaining, including \$58 million related to severance and other employee-related expenses and \$9 million related to contract terminations. During the three months ended March 31, 2007, \$11 million was recorded to the restructuring reserves. During the three months ended March 31, 2007, cash payments of \$28 million for severance and other employee-related costs and \$5 million of contract terminations have reduced this liability. The net impact of these items resulted in a balance of \$45 million at March 31, 2007.

Payments under exit cost and restructuring reserves associated with the MBNA merger are expected to be substantially completed in 2007. The following table presents the changes in exit cost and restructuring reserves for the three months ended March 31, 2007 and 2006.

Three Months Ended March 31

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(Dollars in millions)	Exit Cost Reserves ⁽¹⁾		Restructuring Reserves ⁽²⁾	
	2007	2006	2007	2006
Balance, January 1,	\$ 125	\$	\$ 67	\$
MBNA exit costs		269		
Restructuring charges			11	34
Cash payments	(26)	(22)	(33)	
Balance, March 31	\$ 99	\$ 247	\$ 45	\$ 34

⁽¹⁾Exit cost reserves were established in purchase accounting resulting in an increase in goodwill.

⁽²⁾Restructuring reserves were established by a charge to merger and restructuring charges.

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The following table presents the fair values of the components of trading account assets and liabilities at March 31, 2007 and December 31, 2006.

(Dollars in millions)	March 31 2007	December 31 2006
Trading account assets		
Corporate securities, trading loans and other	\$ 63,705	\$ 53,923
U.S. government and agency securities ⁽¹⁾	43,629	36,656
Equity securities	31,362	27,103
Mortgage trading loans and asset-backed securities	16,111	15,449
Foreign sovereign debt	19,411	19,921
Total trading account assets	\$ 174,218	\$ 153,052
Trading account liabilities		
U.S. government and agency securities	\$ 32,713	\$ 26,760
Equity securities	26,540	23,908
Foreign sovereign debt	10,133	9,261
Corporate securities and other	7,903	7,741
Total trading account liabilities	\$ 77,289	\$ 67,670

⁽¹⁾Includes \$23.0 billion and \$22.7 billion at March 31, 2007 and December 31, 2006 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. Government.

NOTE 4 Derivatives

All derivatives are recognized on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The Corporation designates at inception whether the derivative contract is considered hedging or non-hedging for SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) accounting purposes. Derivatives held for trading purposes are included in derivative assets or derivative liabilities with changes in fair value reflected in trading account profits. Other derivatives that are used as economic hedges, but not designated in a hedging relationship for accounting purposes, are also included in derivative assets or derivative liabilities with changes in fair value recorded in mortgage banking income or other income. A detailed discussion of derivative trading activities and asset and liability management (ALM) activities are presented in Notes 1 and 4 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

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The following table presents the contract/notional amounts and credit risk amounts at March 31, 2007 and December 31, 2006 of all the Corporation's derivative positions. These derivative positions are primarily executed in the over-the-counter market. Credit risk associated with derivatives is measured as the net replacement cost in the event the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements, and on an aggregate basis have been reduced by the cash collateral applied against derivative assets. At March 31, 2007 and December 31, 2006, the cash collateral applied against derivative assets on the Consolidated Balance Sheet was \$8.7 billion and \$7.3 billion. In addition, at March 31, 2007 and December 31, 2006, the cash collateral placed against derivative liabilities was \$6.0 billion and \$6.5 billion.

(Dollars in millions)	March 31, 2007		December 31, 2006	
	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Interest rate contracts				
Swaps	\$ 19,305,549	\$ 9,834	\$ 18,185,655	\$ 9,601
Futures and forwards	2,690,359	56	2,283,579	103
Written options	1,264,115		1,043,933	
Purchased options	1,645,827	1,808	1,308,888	2,212
Foreign exchange contracts				
Swaps	492,428	4,292	451,462	4,241
Spot, futures and forwards	1,378,049	2,296	1,234,009	2,995
Written options	421,185		464,420	
Purchased options	494,530	1,079	414,004	1,391
Equity contracts				
Swaps	47,308	1,225	32,247	577
Futures and forwards	22,511	31	19,947	24
Written options	197,572		102,902	
Purchased options	233,146	10,759	104,958	7,513
Commodity contracts				
Swaps	6,565	948	4,868	1,129
Futures and forwards	18,481	6	13,513	2
Written options	12,484		9,947	
Purchased options	10,663	199	6,796	184
Credit derivatives	2,025,200	1,482	1,497,869	756
Credit risk before cash collateral		34,015		30,728
Less: Cash collateral applied		8,736		7,289
Total derivative assets		\$ 25,279		\$ 23,439

The average fair value of derivative assets, less cash collateral, for the three months ended March 31, 2007 and December 31, 2006 was \$25.1 billion and \$24.3 billion. The average fair value of derivative liabilities for the three months ended March 31, 2007 and December 31, 2006 was \$17.7 billion and \$17.1 billion.

Fair Value and Cash Flow Hedges

The Corporation uses various types of interest rate and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). During the next 12 months, net losses on derivative instruments included in accumulated other comprehensive income (OCI) of approximately \$1.0 billion (\$653 million after-tax) are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to decrease income or increase expense on the respective hedged items.

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The following table summarizes certain information related to the Corporation's derivative hedges accounted for under SFAS 133 for the three months ended March 31, 2007 and 2006.

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Fair value hedges		
Hedge ineffectiveness recognized in earnings ⁽¹⁾	\$ 2	\$ (19)
Cash flow hedges		
Hedge ineffectiveness recognized in earnings ⁽¹⁾		(1)
Net investment hedges		
Gains (losses) included in foreign currency translation adjustments within accumulated OCI	(35)	10

⁽¹⁾Hedge ineffectiveness was recognized within net interest income in the Consolidated Statement of Income for the three months ended March 31, 2007 and 2006.

NOTE 5 Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale (AFS) debt and marketable equity securities, and held-to-maturity debt securities at March 31, 2007 and December 31, 2006 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, March 31, 2007				
U.S. Treasury securities and agency debentures	\$ 692	\$	\$ (6)	\$ 686
Mortgage-backed securities	157,148	3	(4,490)	152,661
Foreign securities	7,935	2	(44)	7,893
Corporate/Agency bonds	4,151		(73)	4,078
Other taxable securities ⁽¹⁾	9,814	9	(48)	9,775
Total taxable securities	179,740	14	(4,661)	175,093
Tax-exempt securities	5,887	12	(31)	5,868
Total available-for-sale debt securities	\$ 185,627	\$ 26	\$ (4,692)	\$ 180,961
Available-for-sale marketable equity securities ⁽²⁾	\$ 2,648	\$ 184	\$ (73)	\$ 2,759
Available-for-sale debt securities, December 31, 2006				
U.S. Treasury securities and agency debentures	\$ 697	\$	\$ (9)	\$ 688
Mortgage-backed securities	161,693	4	(4,804)	156,893
Foreign securities	12,126	2	(78)	12,050
Corporate/Agency bonds	4,699		(96)	4,603
Other taxable securities ⁽¹⁾	12,077	10	(38)	12,049
Total taxable securities	191,292	16	(5,025)	186,283
Tax-exempt securities	6,493	64	(34)	6,523
Total available-for-sale debt securities	\$ 197,785	\$ 80	\$ (5,059)	\$ 192,806
Available-for-sale marketable equity securities ⁽²⁾	\$ 2,799	\$ 408	\$ (10)	\$ 3,197
Held-to-maturity debt securities, March 31, 2007				
Taxable securities	\$ 909	\$	\$	\$ 909
Tax-exempt securities	16			16
Total held-to-maturity debt securities	\$ 925	\$	\$	\$ 925
Held-to-maturity debt securities, December 31, 2006				
Taxable securities	\$ 1	\$	\$	\$ 1
Tax-exempt securities	39			39

Total held-to-maturity debt securities	\$	40	\$	\$	\$	40
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(1) Includes asset-backed securities.

(2) Represents those AFS marketable equity securities that are recorded in other assets on the Consolidated Balance Sheet.

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At March 31, 2007 and December 31, 2006, accumulated net unrealized losses on AFS debt and marketable equity securities included in accumulated OCI were \$2.8 billion and \$2.9 billion, net of the related income tax benefit of \$1.8 billion and \$1.7 billion, respectively. Effective January 1, 2007, the Corporation redesignated \$909 million of securities at amortized cost from AFS to held-to-maturity.

For all AFS debt and marketable equity securities that are in an unrealized loss position, we have the intent and ability to hold these securities to recovery.

Strategic Investments

The Corporation owns approximately nine percent, or 19.1 billion shares, of the stock of China Construction Bank (CCB) which is recorded in other assets. These shares are accounted for at cost as they are non-transferable until October 2008. The Corporation also holds an option to increase its ownership interest in CCB to 19.9 percent. This option expires in February 2011.

Additionally, the Corporation owns \$2.6 billion in preferred stock of Banco Itaú Holding Financeira S.A. (Banco Itaú), which is recorded in other assets. These shares are accounted for at cost as they are non-transferable until May 2009.

The shares of CCB and Banco Itaú are currently carried at cost but, as required by GAAP, will be accounted for as AFS marketable equity securities and carried at fair value with an offset to accumulated OCI beginning in the fourth quarter of 2007 and second quarter of 2008, respectively. The fair values of the CCB shares and Banco Itaú shares were approximately \$10.9 billion and \$3.1 billion at March 31, 2007.

For additional information on securities, see Notes 1 and 5 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

NOTE 6 Outstanding Loans and Leases

Outstanding loans and leases at March 31, 2007 and December 31, 2006 were:

(Dollars in millions)	March 31 2007	December 31 2006
Consumer		
Residential mortgage	\$ 254,845	\$ 241,181
Credit card - domestic	54,490	61,195
Credit card - foreign	11,430	10,999
Home equity ⁽¹⁾	91,725	87,896
Direct/Indirect consumer ⁽¹⁾	62,124	55,501
Other consumer ^(1, 2)	8,189	8,933
Total consumer	482,803	465,705
Commercial		
Commercial - domestic	160,190	161,982
Commercial real estate ⁽³⁾	36,022	36,258
Commercial lease financing	19,988	21,864
Commercial - foreign	20,771	20,681
Total commercial loans measured at historical cost	236,971	240,785
Commercial loans measured at fair value ⁽⁴⁾	3,859	n/a
Total commercial	240,830	240,785
Total loans and leases	\$ 723,633	\$ 706,490

⁽¹⁾ Home equity loans of \$13.0 billion at December 31, 2006 have been reclassified to home equity from direct/indirect consumer and other consumer to conform to the current period presentation.

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- (2) Includes foreign consumer loans of \$4.7 billion and \$6.2 billion, and consumer finance loans of \$3.5 billion and \$2.8 billion at March 31, 2007 and December 31, 2006.
- (3) Includes domestic commercial real estate loans of \$35.4 billion and \$35.7 billion, and foreign commercial real estate loans of \$606 million and \$578 million at March 31, 2007 and December 31, 2006.
- (4) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial domestic loans of \$2.75 billion, commercial foreign loans of \$932 million and commercial real estate loans of \$179 million at March 31, 2007. See Note 14 of the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

n/a = not applicable

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The following table presents the recorded loan amounts, without consideration for the specific component of the allowance for loan and lease losses, that were considered individually impaired in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan, (SFAS 114) at March 31, 2007 and December 31, 2006. SFAS 114 impairment includes performing troubled debt restructurings and excludes all commercial leases.

(Dollars in millions)	March 31 2007	December 31 2006
Commercial domestic	\$ 513	\$ 586
Commercial real estate	189	118
Commercial foreign	29	13
Total impaired loans	\$ 731	\$ 717

At March 31, 2007 and December 31, 2006, nonperforming loans and leases, including impaired and nonaccrual consumer loans, totaled \$2.0 billion and \$1.8 billion. In addition, included in other assets were consumer and commercial nonperforming loans held-for-sale of \$94 million and \$80 million at March 31, 2007 and December 31, 2006.

NOTE 7 Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for the three months ended March 31, 2007 and 2006.

(Dollars in millions)	Three Months Ended	
	March 31 2007	2006
Allowance for loan and lease losses, January 1	\$ 9,016	\$ 8,045
Transition adjustment due to the adoption of SFAS 159	(32)	
MBNA balance, January 1, 2006		577
Loans and leases charged off	(1,743)	(1,117)
Recoveries of loans and leases previously charged off	316	295
Net charge-offs	(1,427)	(822)
Provision for loan and lease losses	1,228	1,270
Other	(53)	(3)
Allowance for loan and lease losses, March 31	8,732	9,067
Reserve for unfunded lending commitments, January 1	397	395
Transition adjustment due to the adoption of SFAS 159	(28)	
Provision for unfunded lending commitments	7	
Other	(2)	
Reserve for unfunded lending commitments, March 31	374	395
Total allowance for credit losses	\$ 9,106	\$ 9,462

NOTE 8 Securitizations

The Corporation securitizes credit card, other consumer and commercial loans. With each securitization the Corporation may retain all or a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables, and, in some cases, cash reserve accounts, all of which are known as retained interests. These retained interests are carried at fair value or amounts that approximate fair value. Changes in the fair value of the credit card interest-only strips are recorded in card income. For all other retained interests the changes in fair value are recorded in accumulated OCI. The securitized loans may be serviced by the Corporation or by third parties.

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The Corporation also uses other special purpose financing entities to access the commercial paper market for other lending, leasing and real estate activities.

As of March 31, 2007 and December 31, 2006 the aggregate debt securities outstanding for the Corporation's credit card securitization trusts were \$97.9 billion and \$96.8 billion. Key assumptions used in measuring the fair value of certain interests that continue to be held by the Corporation (included in other assets) from credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	March 31 2007		December 31 2006	
Carrying amount of residual interests (at fair value) ⁽¹⁾	\$ 2,935		\$ 2,929	
Balance of unamortized securitized loans	99,507		98,295	
Weighted average life to call or maturity (in years)	0.3		0.3	
Monthly payment rate	11.0-16.7	%	11.2-19.8	%
Impact on fair value of 10% favorable change	\$ 56		\$ 43	
Impact on fair value of 25% favorable change	162		133	
Impact on fair value of 10% adverse change	(41)		(38)	
Impact on fair value of 25% adverse change	(92)		(82)	
Expected credit losses (annual rate)	3.3-6.0	%	3.8-5.8	%
Impact on fair value of 10% favorable change	\$ 107		\$ 86	
Impact on fair value of 25% favorable change	268		218	
Impact on fair value of 10% adverse change	(107)		(85)	
Impact on fair value of 25% adverse change	(268)		(211)	
Residual cash flows discount rate (annual rate)	12.0	%	12.5	%
Impact on fair value of 100 bps favorable change	\$ 14		\$ 12	
Impact on fair value of 200 bps favorable change	21		17	
Impact on fair value of 100 bps adverse change	(16)		(14)	
Impact on fair value of 200 bps adverse change	(32)		(27)	

⁽¹⁾Residual interests include interest-only strips, subordinated tranches, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts which are carried at fair value or amounts that approximate fair value.

The sensitivities in the preceding table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of an interest that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Principal proceeds from collections reinvested in revolving credit card securitizations were \$44.7 billion and \$39.1 billion for the three months ended March 31, 2007 and 2006. Contractual credit card servicing fee income totaled \$509 million and \$440 million for the three months ended March 31, 2007 and 2006. Other cash flows received on credit card securitization interests that continued to be held by the Corporation were \$1.7 billion and \$1.8 billion for the three months ended March 31, 2007 and 2006.

Variable Interest Entities

At March 31, 2007 and December 31, 2006, the assets and liabilities of the Corporation's multi-seller asset-backed commercial paper conduits that have been consolidated in accordance with FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 were reflected in AFS and held-to-maturity debt securities, other assets, and commercial paper and other short-term borrowings. As of March 31, 2007 and December 31, 2006, the Corporation held \$10.6 billion and \$10.5 billion of assets in these entities, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum loss exposure associated

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with these entities including unfunded lending commitments would be approximately \$13.2 billion and \$12.9 billion. In addition, the Corporation had net investments in leveraged lease trusts totaling \$6.5 billion and \$8.6 billion at March 31, 2007 and

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December 31, 2006. These amounts, which were reflected in loans and leases, represent the Corporation's maximum loss exposure to these entities in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation also had contractual relationships with other consolidated VIEs that engage in leasing or lending activities or real estate joint ventures. As of March 31, 2007 and December 31, 2006, the amount of assets of these entities was \$3.2 billion and \$3.3 billion, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum possible loss exposure would be \$1.5 billion and \$1.6 billion.

Additionally, the Corporation had significant variable interests in other VIEs that it did not consolidate because it was not deemed to be the primary beneficiary. In such cases, the Corporation does not absorb the majority of the entities' expected losses nor does it receive a majority of the entities' expected residual returns. These entities typically support the financing needs of the Corporation's customers by facilitating their access to the commercial paper markets. The Corporation functions as administrator and provides either liquidity and letters of credit, or derivatives to the VIE. The Corporation also provides asset management and related services to or invests in other special purpose vehicles that engage in lending, investing, or real estate activities. Total assets of these entities at March 31, 2007 and December 31, 2006 were approximately \$54.1 billion and \$51.9 billion. Revenues associated with administration, liquidity, letters of credit and other services were approximately \$33 million and \$29 million for the three months ended March 31, 2007 and 2006. At March 31, 2007 and December 31, 2006, in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum loss exposure associated with these VIEs would be approximately \$51.7 billion and \$46.0 billion, which is net of amounts syndicated.

Management does not believe losses resulting from the Corporation's involvement with the entities discussed above will be material. See Notes 1 and 9 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K for additional discussion of special purpose financing entities.

NOTE 9 Goodwill and Intangibles

The following table presents allocated goodwill at March 31, 2007 and December 31, 2006 for each business segment and *All Other*.

(Dollars in millions)	March 31 2007	December 31 2006
Global Consumer and Small Business Banking	\$ 38,813	\$ 38,760
Global Corporate and Investment Banking	21,425	21,420
Global Wealth and Investment Management	5,243	5,243
All Other	215	239
Total goodwill	\$ 65,696	\$ 65,662

The gross carrying values and accumulated amortization related to intangible assets at March 31, 2007 and December 31, 2006 are presented below:

(Dollars in millions)	March 31, 2007		December 31, 2006	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	\$ 6,791	\$ 1,360	\$ 6,790	\$ 1,159
Core deposit intangibles	3,847	2,503	3,850	2,396
Affinity relationships	1,675	259	1,650	205
Other intangibles	1,686	660	1,525	633
Total intangible assets	\$ 13,999	\$ 4,782	\$ 13,815	\$ 4,393

Amortization of intangibles expense was \$389 million and \$440 million for the three months ended March 31, 2007 and 2006. The Corporation estimates that aggregate amortization expense is expected to be approximately \$370 million, \$360 million, and \$350 million for the second, third and fourth quarters of 2007. In addition, the Corporation estimates the aggregate amortization expense will be approximately \$1.3 billion, \$1.2 billion, \$1.0 billion, \$900 million and \$800 million for 2008 through 2012, respectively.

Table of Contents**NOTE 10 Commitments and Contingencies**

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation's Consolidated Balance Sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. For additional information on commitments to extend credit, see Note 13 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K. The outstanding unfunded lending commitments shown in the following table have been reduced by amounts participated to other financial institutions of \$36.4 billion and \$30.5 billion at March 31, 2007 and December 31, 2006. The carrying amount for these commitments, which represents the liability recorded related to these instruments, at March 31, 2007 and December 31, 2006 was \$782 million and \$444 million. At March 31, 2007, the carrying amount included deferred revenue of \$31 million, a reserve for unfunded lending commitments of \$374 million and the fair value of certain unfunded commitments of \$377 million that are recorded in accrued expenses and other liabilities. See Note 14 of the Consolidated Financial Statements for additional information on the adoption of SFAS 159. At March 31, 2007, the notional amount of total legally binding commitments measured at fair value in accordance with SFAS 159 was \$21.5 billion. The table below only reflects the commitments notional value and excludes the fair value adjustments of \$377 million. At December 31, 2006, the carrying amount included deferred revenue of \$47 million and a reserve for unfunded lending commitments of \$397 million.

(Dollars in millions)	March 31 2007	December 31 2006
Loan commitments ⁽¹⁾	\$ 346,384	\$ 338,205
Home equity lines of credit	102,726	98,200
Standby letters of credit and financial guarantees	53,235	53,006
Commercial letters of credit	4,308	4,482
Legally binding commitments	506,653	493,893
Credit card lines	869,826	853,592
Total credit extension commitments	\$ 1,376,479	\$ 1,347,485

⁽¹⁾Included at March 31, 2007 and December 31, 2006, were equity commitments of \$1.7 billion and \$2.8 billion, related to obligations to further fund equity investments.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrowers' ability to pay.

Other Commitments

At March 31, 2007 and December 31, 2006, charge cards (nonrevolving card lines) to individuals and government entities, both of which are guaranteed by the U.S. government, in the amount of \$9.6 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were \$212 million and \$193 million at March 31, 2007 and December 31, 2006.

At March 31, 2007, the Corporation had whole mortgage loan purchase commitments of \$4.4 billion and whole loan sale commitments of \$415 million, all of which will settle in the second quarter of 2007. At December 31, 2006, the Corporation had whole mortgage loan purchase commitments of \$8.5 billion, all of which settled in the first quarter of 2007.

At March 31, 2007 the Corporation had home equity loan purchase commitments of \$1.3 billion, all of which will settle in the second quarter of 2007. At December 31, 2006 the Corporation had home equity loan purchase commitments of \$362 million, all of which settled in the first quarter of 2007.

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The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate \$1.2 billion, \$1.2 billion, \$1.1 billion, \$970 million, and \$840 million for 2007 through 2011, respectively, and \$6.2 billion for all years thereafter.

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In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period ending June 30, 2010. In 2006, the Corporation purchased \$7.5 billion of such loans. Under the agreement, the Corporation is committed to purchase up to \$5.0 billion of such loans for the period July 1, 2006 through June 30, 2007, of which \$2.5 billion is still outstanding at March 31, 2007, and up to \$10.0 billion in each of the agreement's following three fiscal years. As of March 31, 2007, the remaining commitment amount was \$32.5 billion.

Other Guarantees

The Corporation provides credit and debit card processing services to various merchants by processing credit and debit card transactions on their behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended March 31, 2007 and 2006, the Corporation processed \$82.8 billion and \$88.3 billion of transactions and recorded losses as a result of these chargebacks of \$4 million each.

At March 31, 2007 and December 31, 2006, the Corporation held as collateral approximately \$26 million and \$32 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of March 31, 2007 and December 31, 2006, the maximum potential exposure totaled approximately \$162.3 billion and \$176.0 billion.

For additional information on other guarantees, see Note 13 of the Consolidated Financial Statements on the Corporation's 2006 Annual Report on Form 10-K. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see Note 9 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

Litigation and Regulatory Matters

The following supplements the disclosure in Note 13 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

In re Initial Public Offering Securities Litigation

In *In re Initial Public Offering Securities Litigation*, on April 6, 2007, the U.S. Court of Appeals for the Second Circuit (Second Circuit) panel that vacated the district court's class certification order denied the plaintiffs' motion to reconsider its ruling. The plaintiffs' petition for rehearing by the full Second Circuit is pending.

Miller

In *Paul J. Miller v. Bank of America, N.A.*, on March 21, 2007, the California Supreme Court granted plaintiff's petition to review the California Court Appeal's decision reversing the trial court's judgment.

Parmalat Finanziaria S.p.A.

In *Food Holdings Ltd., et al. v. Bank of America Corp., et al.*, on February 28, 2007, the U.S. District Court for the Southern District of New York granted in part and denied in part the Corporation's motion to dismiss by dismissing three of the eight counts of the complaint consisting of the claims for (1) aiding and abetting breach of fiduciary duty,

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(2) civil conspiracy, and (3) a request for declaratory judgment regarding the enforcement of the Corporation's claims in the insolvency proceedings of such entities. In *Parmalat Capital Finance Limited v. Bank of America Corp. et al.*, on February 28, 2007, the court granted the Corporation's motion to dismiss claims based on allegations of fraud, but allowed the other claims to remain.

Refco

On April 30, 2007, the district court dismissed the claims against BAS relating to Refco's senior subordinated notes offering in August 2004.

NOTE 11 Shareholders Equity and Earnings Per Common Share**Common Stock**

The following table presents share repurchase activity for the three months ended March 31, 2007 and 2006, including total common shares repurchased under announced programs, weighted average per share price and the remaining buyback authority under announced programs.

	Common Shares Repurchased ⁽¹⁾	Weighted Average Per Share Price	Remaining Buyback Authority ⁽²⁾	
			Amounts	Shares
(Dollars in millions, except per share information; shares in thousands)				
January 1-31, 2007	11,800	\$ 53.17	\$ 18,246	251,288
February 1-28, 2007	17,750	53.04	17,304	233,538
March 1-31, 2007	18,450	50.86	16,366	215,088
Three months ended March 31, 2007	48,000	52.23		
	Common Shares Repurchased ⁽³⁾	Weighted Average Per Share Price	Remaining Buyback Authority ⁽²⁾	
(Dollars in millions, except per share information; shares in thousands)			Amounts	Shares
January 1-31, 2006	4,500	\$ 44.61	\$ 9,717	149,688
February 1-28, 2006	5,000	45.29	9,491	144,688
March 1-31, 2006	78,950	46.15	5,847	65,738
Three months ended March 31, 2006	88,450	46.02		

⁽¹⁾Reduced shareholders' equity by \$2.5 billion and increased diluted earnings per common share by less than \$0.01 for the three months ended March 31, 2007. These repurchases were partially offset by the issuance of approximately 28.9 million shares of common stock under employee plans, which increased shareholders' equity by \$1.1 billion, net of \$401 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by \$0.01 for the three months ended March 31, 2007.

⁽²⁾On January 24, 2007, the Board of Directors (the Board) authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion and is limited to a period of 12 to 18 months. On April 26, 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion and to be completed within a period of 12 to 18 months. On March 22, 2005, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion and to be completed within a period of 18 months. This repurchase plan was completed during the second quarter of 2006.

⁽³⁾Reduced shareholders' equity by \$4.1 billion and increased diluted earnings per common share by \$0.01 for the three months ended March 31, 2006. These repurchases were partially offset by the issuance of approximately 38.9 million shares of common stock under employee plans, which increased shareholders' equity by \$1.4 billion, net of \$346 million of deferred compensation related to restricted stock awards, and had no effect on diluted earnings per common share for the three months ended March 31, 2006.

The Corporation may repurchase shares, from time to time, in the open market or in private transactions through the Corporation's approved repurchase program. The Corporation expects to continue to repurchase a number of shares of common stock at least equal to any shares issued

under the Corporation's employee stock plans.

In January 2007, the Board declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on March 23, 2007 to common shareholders of record on March 2, 2007.

Table of Contents**Accumulated OCI**

The following table presents the changes in accumulated OCI for the three months ended March 31, 2007 and 2006, net of tax:

(Dollars in millions)	Foreign				Total
	Securities ^(1, 2)	Derivatives ⁽³⁾	Employee Benefit Plans	Currency	
Balance, December 31, 2006	\$ (2,733)	\$ (3,697)	\$ (1,428)	\$ 147	\$ (7,711)
Net change in fair value recorded in accumulated OCI	98	31		(25)	104
Net realized (gains) losses reclassified into earnings ⁽⁴⁾	(206)	109	31	13	(53)
Balance, March 31, 2007	\$ (2,841)	\$ (3,557)	\$ (1,397)	\$ 135	\$ (7,660)
Balance, December 31, 2005	\$ (2,978)	\$ (4,338)	\$ (118)	\$ (122)	\$ (7,556)
Net change in fair value recorded in accumulated OCI	(1,893)	489		42	(1,362)
Net realized (gains) losses reclassified into earnings ⁽⁴⁾	(126)	63			(63)
Balance, March 31, 2006	\$ (4,997)	\$ (3,786)	\$ (118)	\$ (80)	\$ (8,981)

⁽¹⁾ For the three months ended March 31, 2007 and 2006, the Corporation reclassified net realized gains into earnings on the sale of AFS debt securities of \$39 million and \$9 million net of tax, and gains on the sales of AFS marketable equity securities of \$167 million and \$117 million net of tax.

⁽²⁾ Accumulated OCI includes fair value loss of \$29 million and a fair value gain of \$170 million net of tax on certain retained interests in the Corporation's securitization transactions at March 31, 2007 and 2006.

⁽³⁾ The amount included in accumulated OCI for terminated derivative contracts were losses of \$3.4 billion and \$2.5 billion, net of tax, at March 31, 2007 and 2006.

⁽⁴⁾ Included in this line item are amounts related to derivatives used in cash flow hedge relationships. These amounts are reclassified into earnings in the same period or periods during which the hedged forecasted transactions affect earnings. This line item also includes gains (losses) on AFS debt and marketable equity securities. These amounts are reclassified into earnings upon sale of the related security.

Earnings per Common Share

The calculation of earnings per common share and diluted earnings per common share for the three months ended March 31, 2007 and 2006 is presented below:

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended March 31	
	2007	2006
Earnings per common share		
Net income	\$ 5,255	\$ 4,986
Preferred stock dividends	(46)	(5)
Net income available to common shareholders	\$ 5,209	\$ 4,981
Average common shares issued and outstanding	4,432,664	4,609,481
Earnings per common share	\$ 1.18	\$ 1.08
Diluted earnings per common share		
Net income available to common shareholders	\$ 5,209	\$ 4,981
Average common shares issued and outstanding	4,432,664	4,609,481
Dilutive potential common shares ^(1, 2)	64,364	56,924
Total diluted average common shares issued and outstanding	4,497,028	4,666,405
Diluted earnings per common share	\$ 1.16	\$ 1.07

⁽¹⁾ For the three months ended March 31, 2007 and 2006, average options to purchase 17 million and 60 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive.

⁽²⁾ Includes incremental shares from restricted stock units, restricted stock shares and stock options.

Table of Contents**NOTE 12 Pension and Postretirement Plans**

The Corporation sponsors noncontributory trustee qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The Bank of America Pension Plan (the Pension Plan) allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. A detailed discussion of these plans is presented in Note 16 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

Net periodic benefit cost (income) for the three months ended March 31, 2007 and 2006 included the following components:

	Three Months Ended March 31					
	Qualified		Nonqualified		Postretirement	
	Pension Plans	Pension Plans	Pension Plans	Pension Plans	Health and	Life Plans
(Dollars in millions)	2007	2006	2007	2006	2007	2006
Components of net periodic benefit cost (income)						
Service cost	\$ 86	\$ 82	\$ 3	\$ 3	\$ 3	\$ 4
Interest cost	180	168	18	22	22	22
Expected return on plan assets	(316)	(260)			(2)	(2)
Amortization of transition obligation					8	8
Amortization of prior service cost (credits)	12	10	(2)	(2)		
Recognized net actuarial loss (gain)	33	53	5	5	(6)	13
Net periodic benefit cost (income)	\$ (5)	\$ 53	\$ 24	\$ 28	\$ 25	\$ 45

During 2007, the Corporation expects to contribute \$97 million and \$95 million to its Nonqualified Pension Plans and Postretirement Health and Life Plans. At March 31, 2007, the Corporation had contributed \$57 million and \$24 million to these plans.

NOTE 13 Income Taxes

Under FIN 48, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized and 2) the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position in accordance with this FIN 48 model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). As of January 1, 2007, the balance of the Corporation's UTBs, excluding any related accrual for interest, was \$2.7 billion, of which \$1.5 billion would, if recognized, affect the Corporation's effective tax rate. Included in the \$2.7 billion UTB balance are some items the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences, and the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction.

As of January 1, 2007, the Corporation's accrual for interest and penalties that relate to income taxes, net of taxes and payments on deposit to taxing authorities, was \$769 million, including applicable interest on leveraged lease positions. Under FIN 48 the Corporation continues its policy of accruing income-tax-related interest and penalties (if applicable) within income tax expense.

The Internal Revenue Service is currently examining the Corporation's federal income tax returns for the years 2000 through 2004. It is anticipated that the examination phase related to the years 2000 through 2002 will be completed during 2007, but management does not believe that this event will cause a significant change in the UTB balance. However, final determination will decrease the UTB balance, since resolved items would be removed whether their resolution resulted in payment or recognition. In addition, the federal income tax returns of FleetBoston Financial Corporation are currently under examination for the years 1997 through March 31, 2004. We do not expect the exam and related discussions with the IRS to be completed within the next 12 months. In addition, the federal income tax returns of MBNA for the tax years 2001 through 2004 are under examination. Management expects these examinations to be completed during 2007. As a result, it is probable that a change to the UTB balance relating to the MBNA examinations will occur, but it will not significantly affect the Corporation's effective tax rate. All tax years subsequent to the above years remain open to examination.

Table of Contents**NOTE 14 Fair Value Disclosures**

Effective January 1, 2007, the Corporation adopted SFAS 157, which provides a framework for measuring fair value under GAAP. As described more fully below, SFAS 157 also eliminated the deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data. SFAS 157 requires that the impact of this change in accounting for derivative contracts be recorded as an adjustment to beginning retained earnings in the period of adoption.

The Corporation also adopted SFAS 159 on January 1, 2007. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Corporation elected to adopt the fair value option for certain financial instruments on the adoption date. SFAS 159 requires that the difference between the carrying value before election of the fair value option and the fair value of these instruments be recorded as an adjustment to beginning retained earnings in the period of adoption.

The following table summarizes the impact of the change in accounting for derivative contracts described above and the impact of adopting the fair value option for certain financial instruments on January 1, 2007. Amounts shown represent the carrying value of the affected instruments before and after the changes in accounting resulting from the adoption of SFAS 157 and SFAS 159.

Transition Impact

(Dollars in millions)	Ending Balance Sheet December 31, 2006	Adoption Net Gain/(Loss)	Opening Balance Sheet January 1, 2007
Impact of adopting SFAS 157			
Net derivative assets and liabilities ⁽¹⁾	\$ 7,100	\$ 22	\$ 7,122
Impact of electing the fair value option under SFAS 159			
Loans and leases ⁽²⁾	3,968	(21)	3,947
Accrued expenses and other liabilities ⁽³⁾	(28)	(321)	(349)
Other assets ⁽⁴⁾	8,778		8,778
Available-for-sale debt securities ⁽⁵⁾	3,692		3,692
Federal funds sold and securities purchased under agreements to resell ⁽⁶⁾	1,401	(1)	1,400
Interest-bearing deposits liability in domestic offices ⁽⁷⁾	(548)	1	(547)
Cumulative-effect adjustment (pre-tax)		(320)	
Tax impact		112	
Cumulative-effect adjustment (net of tax), decrease to retained earnings		\$ (208)	

⁽¹⁾The transition adjustment reflects the impact of recognizing previously deferred gains and losses as a result of the rescission of certain requirements of Emerging Issues Task Force (EITF) Issue No. 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3) in accordance with SFAS 157.

⁽²⁾Includes loans to certain large corporate clients. The ending balance at December 31, 2006 and the transition adjustment is net of a \$32 million reduction in the allowance for loan and lease losses.

⁽³⁾The January 1, 2007 balance after adoption represents the fair value of certain unfunded commercial loan commitments. The December 31, 2006 balance prior to adoption represents the reserve for unfunded lending commitments associated with these commitments.

⁽⁴⁾Other assets include loans held-for-sale. No transition adjustment was recorded for the loans held-for-sale because they were already recorded at fair value pursuant to lower of cost or market accounting.

⁽⁵⁾Changes in fair value of these AFS debt securities resulting from foreign currency exposure, which is the primary driver of fair value for these securities, had previously been hedged by derivatives that qualified for fair value hedge accounting in accordance with SFAS 133. As a result, there was no transition adjustment. Following the election of the fair value option, these AFS debt securities have been transferred to trading account assets.

⁽⁶⁾Includes structured reverse repurchase agreements that are economically hedged with derivatives.

⁽⁷⁾Includes long-term fixed rate deposits that are economically hedged with derivatives.

Fair Value Option

Corporate Loans and Loan Commitments

The Corporation elected to account for certain large corporate loans and loan commitments which exceeded the Corporation's single name credit risk concentration guidelines at fair value in accordance with SFAS 159. Lending commitments, both funded and unfunded, are actively managed and monitored, and, as appropriate, credit risk for these

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lending relationships may be mitigated through the use of credit derivatives, with our credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for hedge accounting under SFAS 133 and are therefore carried at fair value with changes in fair value recorded in other income. Electing the fair value option allows the Corporation to account for these loans and loan commitments at fair value, which is more consistent with management's view of the underlying economics and the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

Fair values for the loans and loan commitments are based on market prices, where available, or discounted cash flows using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

At March 31, 2007, funded loans which the Corporation has elected to fair value had an aggregate fair value of \$3.86 billion recorded in loans and leases and an aggregate outstanding principal balance of \$3.93 billion. Unfunded loan commitments that the Corporation has elected to fair value had an aggregate fair value of \$377 million recorded in accrued expenses and other liabilities and an aggregate committed exposure of \$21.5 billion. At March 31, 2007, none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status. Net losses recorded in other income resulting from changes in fair value of these loans and loan commitments totaled \$27 million during the three months ended March 31, 2007 of which \$14 million related to commitments originated subsequent to January 1, 2007. These losses were significantly attributable to changes in instrument-specific credit risk. Following adoption of SFAS 159, an immaterial amount of direct loan origination fees and costs related to items for which the fair value option was elected were recognized in earnings. Previously, these items would have been capitalized and amortized to earnings over the life of the loans.

Loans Held-for-Sale

The Corporation also elected to account for certain loans held-for-sale at fair value. Electing to fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. The Corporation has not elected to fair value other loans held-for-sale primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. Fair values for loans held-for-sale are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans and adjusted to reflect the inherent credit risk. At March 31, 2007, residential mortgage loans, commercial mortgage loans, and other loans held-for-sale for which the fair value option was elected had an aggregate fair value of \$16.43 billion and an aggregate outstanding principal balance of \$16.47 billion and were recorded in other assets. Interest income on these loans is recorded in interest and fees on loans and leases. Net gains resulting from changes in fair value of these loans, including realized gains and losses on sale, of \$56 million were recorded in mortgage banking income during the three months ended March 31, 2007. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk. Following adoption of SFAS 159, direct loan origination fees of \$13 million and costs of \$29 million related to loans held-for-sale for which the fair value option was elected were recognized in earnings. Previously, these items would have been capitalized as part of the carrying amount of the loans and recognized in earnings upon the sale of such loans.

Debt Securities

The Corporation elected to fair value \$3.7 billion of AFS debt securities. Changes in fair value resulting from foreign currency exposure, which is the primary driver of fair value for these securities, had previously been hedged by derivatives that qualified for fair value hedge accounting in accordance with SFAS 133. Electing the fair value option allows the Corporation to eliminate the burden of complying with the requirements for hedge accounting under SFAS 133 without introducing accounting volatility. Following election of the fair value option, these securities were reclassified to trading account assets. The Corporation did not elect the fair value option for other AFS securities because they are not hedged by derivatives that qualified for hedge accounting in accordance with SFAS 133.

Table of Contents**Structured Reverse Repurchase Agreements and Certain Long-term Deposits**

The Corporation elected to fair value certain other financial instruments which are economically hedged with derivatives. At March 31, 2007, these instruments included structured reverse repurchase agreements with an aggregate fair value and principal balance of \$1.5 billion recorded in federal funds sold and securities purchased under agreements to resell; and certain long-term fixed rate deposits with an aggregate fair value of \$554 million and principal balance of \$558 million recorded in interest-bearing deposits. Interest earned on the structured reverse repurchase agreements and interest paid on the long-term deposits continue to be recorded in interest income and interest expense, respectively. Election of the fair value option will allow the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet categories because they are not economically hedged.

The overall effect of electing the fair value option on operating results for the three months ended March 31, 2007 was an \$11 million decrease in pre-tax profits. This amount includes a net loss of \$27 million due to changes in fair value of loans and loan commitments, offset by a net gain of \$27 million due to changes in fair value of mortgage loans held-for-sale. It also reflects a net reduction in profits of \$16 million resulting from the change in accounting for direct loan origination fees and costs related to mortgage loans held-for-sale. The impact of electing the fair value option for other items was immaterial.

Fair Value Measurement

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts and residential mortgage loans held-for-sale.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly structured or long-term derivative contracts.

Prior to the adoption of SFAS 157, EITF 02-3 prohibited the recognition of gains and losses at inception of a derivative contract unless the fair value of the contract was evidenced by a quoted price in an active market, an observable price or other market transaction, or other observable data. SFAS 157 rescinded this requirement, resulting in the recognition of previously deferred gains and losses as an increase to the beginning balance of retained earnings of \$22 million (pre-tax).

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Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Corporation has elected the fair value option, are summarized below:

(Dollars in millions)	March 31, 2007 Fair Value Measurements Using				Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	Netting Adjustments ⁽¹⁾	
Assets					
Federal funds sold and securities purchased under agreements to resell ⁽²⁾	\$	\$ 1,490	\$	\$	\$ 1,490
Trading account assets	54,789	119,160	269		174,218
Derivative assets	3,891	230,341	7,012	(215,965)	25,279
Available-for-sale debt securities	164,928	16,033			180,961
Loans and leases ⁽²⁾			3,859		3,859
Mortgage servicing rights			2,963		2,963
Other assets ⁽³⁾	2,897	18,801	5,867		27,565
Total assets	\$ 226,505	\$ 385,825	\$ 19,970	\$ (215,965)	\$ 416,335
Liabilities					
Interest-bearing deposits in domestic offices ⁽²⁾	\$	\$ 554	\$	\$	\$ 554
Trading account liabilities	56,413	20,876			77,289
Derivative liabilities	4,530	220,001	6,671	(213,256)	17,946
Accrued expenses and other liabilities ⁽²⁾			377		377
Total liabilities	\$ 60,943	\$ 241,431	\$ 7,048	\$ (213,256)	\$ 96,166

⁽¹⁾ Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

⁽²⁾ Amounts represent items for which the Corporation has elected the fair value option under SFAS 159.

⁽³⁾ Other assets include equity investments held by Principal Investing, AFS equity investments and certain retained interests in securitization vehicles, including interest-only strips, all of which were carried at fair value prior to the adoption of SFAS 159; and loans held-for-sale of \$16.4 billion for which the Corporation has elected the fair value option under SFAS 159.

Loans and leases at March 31, 2007 included \$20.0 billion of leases that were not eligible for the fair value option as they were specifically excluded from fair value option election in accordance with SFAS 159.

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2007 to March 31, 2007. Level 3 loans and loan commitments are carried at fair value due to adoption of the fair value option, as described on page 23. Other Level 3 instruments presented in the table, including derivatives, trading account assets, mortgage servicing rights (MSRs), certain equity investments and retained interests in securitizations, were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Total Fair Value Measurements					Accrued Expenses and Other Liabilities ⁽³⁾
	Net Derivatives ⁽¹⁾	Trading Account Assets ⁽²⁾	Loans and Leases ⁽³⁾	Mortgage Servicing Rights ⁽²⁾	Other Assets ⁽⁴⁾	
(Dollars in millions)						
Balance, December 31, 2006	\$ 711	\$ 303	\$ 3,968	\$ 2,869	\$ 6,605	\$ (28)
Impact of SFAS 157 and SFAS 159 adoption	22		(21)			(321)
Balance, January 1, 2007	\$ 733	\$ 303	\$ 3,947	\$ 2,869	\$ 6,605	\$ (349)
Total gains or losses (realized/unrealized):						
Included in earnings	(64)	(30)	1	121	730	(28)
Included in other comprehensive income					(51)	
Purchases, issuances, and settlements	(320)	(4)	(89)	(27)	(1,403)	

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Transfers in and/or out of Level 3	(8)				(14)	
Balance, March 31, 2007	\$ 341	\$ 269	\$ 3,859	\$ 2,963	\$ 5,867	\$ (377)

(1) Net derivatives at March 31, 2007 included derivative assets of \$7,012 million and derivative liabilities of \$6,671 million, all of which were carried at fair value prior to the adoption of SFAS 159.

(2) Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

(3) Amounts represented items for which the Corporation had elected the fair value option under SFAS 159 including commercial loan commitments recorded in accrued expenses and other liabilities.

(4) Other assets included equity investments held by Principal Investing and certain retained interests in securitization vehicles, including interest-only strips, all of which were carried at fair value prior to the adoption of SFAS 159.

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The table below summarizes gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities for the period from January 1, 2007 to March 31, 2007. These amounts include gains and losses generated by loans and loan commitments for which the fair value option was elected and by other instruments, including certain derivative contracts, trading account assets, MSRs, equity investments and retained interests in securitizations, which were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Total Gains and Losses					Accrued Expenses and Other Liabilities ⁽²⁾
	Net Derivatives ⁽¹⁾	Trading Account Assets ⁽¹⁾	Loans and Leases ⁽²⁾	Mortgage Servicing Rights ⁽¹⁾	Other Assets ⁽¹⁾	
(Dollars in millions)						
Classification of gains and losses (realized/unrealized) included in earnings for the period:						
Card income	\$	\$	\$	\$	\$ 181	\$
Equity investment gains					508	
Trading account profits	(69)	(30)				
Mortgage banking income	5			121		
Other income			1		41	(28)
Total	\$ (64)	\$ (30)	\$ 1	\$ 121	\$ 730	\$ (28)

⁽¹⁾ Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

⁽²⁾ Amounts represented items for which the Corporation had elected the fair value option under SFAS 159.

The table below summarizes changes in unrealized gains or losses recorded in earnings for the period from January 1, 2007 to March 31, 2007 for Level 3 assets and liabilities that are still held at March 31, 2007. These amounts include changes in fair value of loans and loan commitments for which the fair value option was elected and changes in fair value for other instruments, including certain derivative contracts, trading account assets, MSRs, equity investments and retained interests in securitizations, which were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Changes in Unrealized Gains or Losses					Accrued Expenses and Other Liabilities ⁽²⁾
	Net Derivatives ⁽¹⁾	Trading Account Assets ⁽¹⁾	Loans and Leases ⁽²⁾	Mortgage Servicing Rights ⁽¹⁾	Other Assets ⁽¹⁾	
(Dollars in millions)						
Changes in unrealized gains or losses relating to assets still held at reporting date						
Card income	\$	\$	\$	\$	\$ 28	\$
Equity investment gains					118	
Trading account profits	(158)	(30)				
Mortgage banking income	4			60		
Other income			(1)			(31)
Total	\$ (154)	\$ (30)	\$ (1)	\$ 60	\$ 146	\$ (31)

⁽¹⁾ Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

⁽²⁾ Amounts represented items for which the Corporation had elected the fair value option under SFAS 159.

Certain assets are measured at fair value on a non-recurring basis. As of March 31, 2007, loans held-for-sale for which the Corporation had not elected the fair value option and lease residuals, both of which were carried at the lower of cost or fair value, with an aggregate cost of \$9.29 billion had been written down to fair value of \$9.24 billion, resulting in a charge of \$45 million, of which \$41 million was recorded in other income and \$4 million was recorded in mortgage banking income.

Table of Contents**NOTE 15 Mortgage Servicing Rights**

The Corporation accounts for consumer MSR at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives such as options and interest rate swaps.

The following table presents activity for consumer MSRs for the three months ended March 31, 2007 and 2006.

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Balance, January 1	\$ 2,869	\$ 2,658
MBNA balance, January 1, 2006		9
Additions	171	149
Impact of customer payments	(183)	(171)
Other changes in MSR market value ⁽¹⁾	106	280
Balance, March 31	\$ 2,963	\$ 2,925

⁽¹⁾ Reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates.

Other changes in MSR market value of \$106 million reflect changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates. This amount does not include \$15 million resulting from the reconciliation of actual cash received versus expected prepayments. The total of these amounts of \$121 million is included in the line *Mortgage banking income* in the table *Total Gains and Losses* in Note 14 of the Consolidated Financial Statements.

The key economic assumptions used in valuations of MSRs included modeled prepayment rates and resultant weighted average lives of the MSRs and the option adjusted spread levels. Commercial MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial MSRs were \$178 million and \$176 million at March 31, 2007 and December 31, 2006 and are not included in the table above.

NOTE 16 - Business Segment Information

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking (GCSBB)*, *Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM)*. Effective January 1, 2007, the Corporation changed its basis of presentation for its business segments as discussed below.

Global Consumer and Small Business Banking

GCSBB provides a diversified range of products and services to individuals and small businesses. Effective January 1, 2007, the Corporation began reporting its *GCSBB* results, specifically credit card, business card and certain unsecured lending portfolios, on a managed basis. This basis of presentation excludes the Corporation's securitized mortgage and home equity portfolios for which the Corporation retains servicing. The change to a managed basis is consistent with the way that management as well as analysts evaluate the results of *GCSBB*. Managed basis assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet qualified special purpose entity which is excluded from the Corporation's Consolidated Financial Statements in accordance with GAAP.

The performance of the managed portfolio is important in understanding *GCSBB*'s results as it demonstrates the results of the entire portfolio serviced by the business. Securitized loans continue to be serviced by the business and are subject to the

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same underwriting standards and ongoing monitoring as held loans. In addition, retained excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. *GCSBB*'s managed income statement line items differ from its held basis reported in the prior period as follows:

Managed net interest income includes *GCSBB*'s net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.

Managed noninterest income includes *GCSBB*'s noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record managed net interest income and managed credit impact. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strip that are recorded in card income as management continues to manage this impact within *GCSBB*.

The managed credit impact represents the provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

Prior period amounts have been adjusted to reflect these changes.

Global Corporate and Investment Banking

GCIB serves domestic and international issuer and investor clients, providing financial services, specialized industry expertise and local delivery. Prior to January 1, 2007, *GCIB* also included the results of our Latin America and Hong Kong based retail and commercial banking businesses, parts of which were sold in 2006. Effective January 1, 2007, the results of the Latin American operations in Argentina, Brazil, Chile, and Uruguay, as well as our Hong Kong based retail and commercial banking business, that are expected to be or have been sold have been transferred to *All Other* as liquidating businesses as the Corporation has made a decision to exit these businesses in these regions. Also, effective January 1, 2007, the results of *Banc of America Specialist* have been transferred to *GCIB* from *GWIM* to more closely align businesses with similar operations and clients. Prior period amounts have been adjusted to reflect these changes.

Global Wealth and Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high-net-worth individuals. *GWIM* also includes the impact of migrated qualifying affluent customers, including their related deposit balances and associated net interest income from *GCSBB*. Prior to January 1, 2007, *GWIM* also included the results of *Banc of America Specialist* and *International Wealth Management (IWM)*. Effective January 1, 2007, the results of *Banc of America Specialist* have been transferred to *GCIB* to more closely align businesses with similar operations and clients and the results of *IWM* that are expected to be sold or liquidated have been transferred to *All Other* as a liquidating business. Prior period amounts have been adjusted to reflect these changes.

All Other

Prior to January 1, 2007, *All Other* consisted of equity investment activities including Principal Investing, Corporate Investments and Strategic Investments, the residual impacts of the allowance for credit losses and the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain consumer finance and commercial lending businesses that were being liquidated. *All Other* also included amounts associated with the ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that did not qualify for SFAS 133 hedge accounting treatment, certain gains or losses on sales of whole mortgage loans, and gains (losses) on sales of debt securities. Effective January 1, 2007, *All Other* now also includes the offsetting securitization impact to present *GCSBB* on a managed basis which assumes that *GCSBB*'s securitized loans have not been sold. This offsetting adjustment is made to report the consolidated results of the Corporation on a GAAP basis. *All Other* also includes the addition of the liquidating businesses that were transferred from *GCIB* and *GWIM*. Prior period amounts have been adjusted to reflect these changes.

Table of Contents**Basis of Presentation**

Total revenue includes net interest income on a fully taxable-equivalent (FTE) basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation's ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments based on pre-determined means. The most significant of these expenses include data processing costs, item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies which reflect utilization.

The Corporation's business segments and *All Other* have also been revised to reflect the impact of certain management accounting methodologies and related allocation refinements that have occurred subsequent to December 31, 2006. These changes did not have an impact on the previously reported consolidated results of the Corporation.

The following table presents total revenue on a FTE basis and net income for the three months ended March 31, 2007 and 2006, and total assets at March 31, 2007 and 2006 for each business segment, as well as *All Other*.

Business Segments**For the Three Months Ended March 31**

(Dollars in millions)	Total Corporation		Global Consumer and Small Business		Global Corporate and Investment Banking ⁽¹⁾	
	2007	2006	Banking ^(1, 2, 3)		2007	2006
			2007	2006		
Net interest income ⁽⁴⁾	\$ 8,597	\$ 9,040	\$ 7,028	\$ 7,092	\$ 2,412	\$ 2,489
Noninterest income	9,825	8,901	4,394	3,750	2,909	2,779
Total revenue ⁽⁴⁾	18,422	17,941	11,422	10,842	5,321	5,268
Provision for credit losses/Managed credit impact	1,235	1,270	2,411	1,901	115	25
Gains (losses) on sales of debt securities	62	14	(1)	(1)	2	14
Amortization of intangibles	389	440	337	378	34	40
Other noninterest expense	8,708	8,484	4,391	4,234	2,866	2,792
Income before income taxes ⁽⁴⁾	8,152	7,761	4,282	4,328	2,308	2,425
Income tax expense ⁽⁴⁾	2,897	2,775	1,586	1,604	861	901
Net income	\$ 5,255	\$ 4,986	\$ 2,696	\$ 2,724	\$ 1,447	\$ 1,524
Period-end total assets	\$ 1,502,157	\$ 1,375,080	\$ 407,654	\$ 406,032	\$ 713,868	\$ 611,208

(Dollars in millions)	Global Wealth and Investment Management ^(1, 2)		All Other ⁽³⁾	
	2007	2006	2007	2006
Net interest income ⁽⁴⁾	\$ 926	\$ 939	\$ (1,769)	\$ (1,480)
Noninterest income	962	890	1,560	1,482
Total revenue ⁽⁴⁾	1,888	1,829	(209)	2
Provision for credit losses/Reported credit impact	23		(1,314)	(656)
Gains on sales of debt securities			61	1
Amortization of intangibles	16	18	2	4
Other noninterest expense	1,001	949	450	509
Income before income taxes ⁽⁴⁾	848	862	714	146
Income tax expense (benefit) ⁽⁴⁾	317	320	133	(50)
Net income	\$ 531	\$ 542	\$ 581	\$ 196
Period-end total assets	\$ 128,547	\$ 112,399	\$ 252,088	\$ 245,441

- (1) There were no material intersegment revenues among the segments.
- (2) Total assets include asset allocations to match liabilities (i.e., deposits).
- (3) *GCSBB* is presented on a managed basis with a corresponding offset recorded in *All Other*.
- (4) FTE basis

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The following table presents reconciliations of *GCSBB* and the associated offsetting securitization impact in *All Other* from a managed to held basis.

Global Consumer and Small Business Banking Reconciliation

(Dollars in millions)	For the Three Months Ended March 31, 2007			For the Three Months Ended March 31, 2006		
	Managed Basis	Securitized Impact ⁽¹⁾	Held Basis	Managed Basis	Securitized Impact ⁽¹⁾	Held Basis
Net interest income ⁽²⁾	\$ 7,028	\$ (1,890)	\$ 5,138	\$ 7,092	\$ (1,946)	\$ 5,146
Noninterest income						
Card income	2,451	839	3,290	2,107	1,402	3,509
Service charges	1,377		1,377	1,190		1,190
Mortgage banking income	302		302	205		205
All other income	264	(77)	187	248	(110)	138
Total noninterest income	4,394	762	5,156	3,750	1,292	5,042
Total revenue ⁽²⁾	11,422	(1,128)	10,294	10,842	(654)	10,188
Provision for credit losses	2,411	(1,128)	1,283	1,901	(654)	1,247
Gains (losses) on sales of debt securities	(1)		(1)	(1)		(1)
Noninterest expense	4,728		4,728	4,612		4,612
Income before income taxes ⁽²⁾	4,282		4,282	4,328		4,328
Income tax expense ⁽²⁾	1,586		1,586	1,604		1,604
Net income	\$ 2,696	\$	\$ 2,696	\$ 2,724	\$	\$ 2,724

All Other Reconciliation

(Dollars in millions)	For the Three Months Ended March 31, 2007			For the Three Months Ended March 31, 2006		
	Reported Basis	Securitized Impact ⁽¹⁾	As Adjusted	Reported Basis	Securitized Impact ⁽¹⁾	As Adjusted
Net interest income ⁽²⁾	\$ (1,769)	\$ 1,890	\$ 121	\$ (1,480)	\$ 1,946	\$ 466
Noninterest income						
Card income	722	(839)	(117)	1,168	(1,402)	(234)
Equity investment gains	896		896	571		571
All other income	(58)	77	19	(257)	110	(147)
Total noninterest income	1,560	(762)	798	1,482	(1,292)	190
Total revenue ⁽²⁾	(209)	1,128	919	2	654	656
Provision for credit losses	(1,314)	1,128	(186)	(656)	654	(2)
Gains on sales of debt securities	61		61	1		1
Merger and restructuring charges	111		111	98		98
All other noninterest expense	341		341	415		415
Income before income taxes ⁽²⁾	714		714	146		146
Income tax expense (benefit) ⁽²⁾	133		133	(50)		(50)
Net income	\$ 581	\$	\$ 581	\$ 196	\$	\$ 196

⁽¹⁾The securitizations impact on net interest income is based on a funds transfer pricing methodology consistent with the way we allocate funding costs to the Corporation's businesses.

⁽²⁾FTE basis

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The following table presents reconciliations of the three business segments (*GCSBB*, *GCIB* and *GWIM*) total revenue on a FTE basis and net income to the Consolidated Statement of Income. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

(Dollars in millions)	Three Months Ended	
	March 31	
	2007	2006
Segments total revenue ⁽¹⁾	\$ 18,631	\$ 17,939
Adjustments:		
ALM activities	38	(151)
Equity investment gains	896	571
Liquidating businesses	318	536
FTE basis adjustment	(329)	(264)
Managed securitizations impact to total revenue	(1,128)	(654)
Other	(333)	(300)
Consolidated revenue	\$ 18,093	\$ 17,677
Segments net income	\$ 4,674	\$ 4,790
Adjustments, net of taxes:		
ALM activities ⁽²⁾	(4)	(145)
Equity investment gains	564	360
Liquidating businesses	263	163
Merger and restructuring charges	(70)	(61)
Other	(172)	(121)
Consolidated net income	\$ 5,255	\$ 4,986

⁽¹⁾ FTE basis

⁽²⁾ Includes pre-tax gains (losses) on sales of debt securities of \$58 million and \$(8) million for the three months ended March 31, 2007 and 2006.

NOTE 17 Subsequent Event

In April 2007, the Corporation announced an agreement to purchase ABN AMRO North America Holding Company, parent company of LaSalle Bank Corporation, from ABN AMRO Bank N.V. (collectively, ABN AMRO) for \$21 billion in cash. The transaction has been approved by both company's boards of directors. A copy of the agreement is filed as an exhibit to the Corporation's Current Report on Form 8-K filed April 26, 2007. On May 3, 2007, a court in the Netherlands ruled that ABN AMRO is enjoined from consummating the transaction until ABN AMRO's public shareholders vote on the proposed transaction. The Corporation believes it has a valid and binding agreement, and has filed a lawsuit against ABN AMRO in a federal district court located in New York to enforce its legal rights.

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Bank of America Corporation and Subsidiaries

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Table of Contents**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Readers of the Form 10-Q of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. Risk Factors of the Corporation's 2006 Annual Report on Form 10-K. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: changes in general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates which may affect, among other things, the level of nonperforming assets, charge-offs and provision expense; changes in the interest rate environment which may reduce interest margins and impact funding sources; changes in foreign exchange rates; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial products including securities, loans, deposits, debt and derivative financial instruments, and other similar financial instruments; political conditions and related actions by the United States abroad which may adversely affect the Corporation's businesses and economic conditions as a whole; liabilities resulting from litigation and regulatory investigations, including costs, expenses, settlements and judgments; changes in domestic or foreign tax laws, rules and regulations as well as court, Internal Revenue Service or other governmental agencies interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Financial Services Authority; changes in accounting standards, rules and interpretations; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions; ability to grow core businesses; ability to develop and introduce new banking-related products, services and enhancements, and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management's ability to manage these and other risks.

The Corporation, headquartered in Charlotte, North Carolina, operates in 30 states, the District of Columbia and 45 foreign countries. The Corporation provides a diversified range of banking and nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking (GCSBB)*, *Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM)*.

At March 31, 2007, the Corporation had \$1.5 trillion in assets and approximately 199,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated by reference into Management's Discussion and Analysis of Financial Condition and Results of Operations. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, we use certain acronyms and abbreviations which are defined in the Glossary beginning on page 89. Certain prior period amounts have been reclassified to conform to current period presentation.

Recent Events

In April 2007, the Corporation announced an agreement to purchase ABN AMRO North America Holding Company, parent company of LaSalle Bank Corporation, from ABN AMRO Bank N.V. (collectively, ABN AMRO) for \$21 billion in cash. The transaction has been approved by both company's boards of directors. A copy of the agreement is filed as an exhibit to the Corporation's Current Report on Form 8-K filed April 26, 2007. On May 3, 2007, a court in the Netherlands ruled that ABN AMRO is enjoined from consummating the transaction until ABN AMRO's public shareholders vote on the proposed transaction. The Corporation believes it has a valid and binding agreement, and has filed a lawsuit against ABN AMRO in a federal district court located in New York to enforce its legal rights.

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In April 2007, the Corporation announced an agreement to purchase 24.9 percent of SLM Corporation (Sallie Mae), the U.S. leader in originating and servicing student loans, for \$2.2 billion. The Corporation is part of a consortium led by J.C. Flowers & Co. and private-equity firm Friedman Fleischer & Lowe, LLC which will invest \$4.4 billion and own 50.2 percent of Sallie Mae, and JP Morgan Chase & Co, which will invest \$2.2 billion and own the remaining 24.9 percent of Sallie Mae. The agreement also includes a five year forward purchase commitment for the Corporation to purchase \$100 billion of loans from Sallie Mae. The transaction will require approval by Sallie Mae's stockholders and will be subject to obtaining all necessary regulatory approvals. Closing of the transaction is expected to occur late in 2007.

In April 2007, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on June 22, 2007 to common shareholders of record on June 1, 2007.

In February and March 2007, the Corporation completed the sale of its operations in Chile and Uruguay for approximately \$750 million in equity of Banco Itaú Holding Financeira S.A. (Banco Itaú), Brazil's second largest nongovernment-owned banking company. In addition, in March 2007, the Corporation completed the sale of its BankBoston Argentina assets to a consortium led by Johannesburg-based Standard Bank Group Ltd in exchange for the assumption of BankBoston Argentina liabilities of approximately \$2.0 billion. These sales resulted in a \$46 million gain (pre-tax) that was recorded in other income and a decrease of \$132 million in provision for credit losses from a reduction of reserves related to the sale of our Argentina portfolio.

In January 2007, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion and is limited to a period of 12 to 18 months.

In January 2007, the Board declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on March 23, 2007 to common shareholders of record on March 2, 2007.

Performance Overview

Net income totaled \$5.3 billion, or \$1.16 per diluted common share, for the three months ended March 31, 2007, increases of five percent and eight percent from \$5.0 billion, or \$1.07 per diluted common share, for the three months ended March 31, 2006.

Table 1**Business Segment Total Revenue and Net Income**

(Dollars in millions)	Three Months Ended March 31			
	Total Revenue		Net Income	
	2007	2006	2007	2006
Global Consumer and Small Business Banking ⁽¹⁾	\$ 11,422	\$ 10,842	\$ 2,696	\$ 2,724
Global Corporate and Investment Banking	5,321	5,268	1,447	1,524
Global Wealth and Investment Management	1,888	1,829	531	542
All Other ⁽¹⁾	(209)	2	581	196
Total FTE basis ⁽²⁾	18,422	17,941	5,255	4,986
FTE adjustment ⁽²⁾	(329)	(264)		
Total Consolidated	\$ 18,093	\$ 17,677	\$ 5,255	\$ 4,986

⁽¹⁾ GCSBB is presented on a managed basis with a corresponding offset recorded in *All Other*.

⁽²⁾ Total revenue for the business segments and *All Other* is on a FTE basis. For more information on a FTE basis, see Supplemental Financial Data beginning on page 38.

Global Consumer and Small Business Banking

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Net income remained essentially flat at \$2.7 billion for the three months ended March 31, 2007 compared to the same period in 2006. Managed total revenue grew \$580 million, or five percent, to \$11.4 billion, as higher card income, service charges and mortgage banking income were partially offset by spread compression on our *Card Services* products, which

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negatively impacted net interest income. The growth in managed total revenue was offset by the higher managed credit impact of \$510 million driven by portfolio seasoning and a trend toward more normalized loss levels post bankruptcy reform, and higher noninterest expense. For more information on *GCSBB*, see page 44.

Global Corporate and Investment Banking

Net income decreased \$77 million, or five percent, to \$1.4 billion for the three months ended March 31, 2007 compared to the same period in 2006. Total revenue remained essentially flat at \$5.3 billion as higher noninterest income, primarily due to increases in investment banking income and all other income, was offset by lower net interest income from spread compression in the loan portfolio. The decrease in net income primarily resulted from an increase in the provision for credit losses and higher personnel expenses. For more information on *GCIB*, see page 49.

Global Wealth and Investment Management

Net income remained essentially flat at \$531 million for the three months ended March 31, 2007 compared to the same period in 2006. Total revenue increased \$59 million, or three percent, as higher noninterest income, primarily due to increases in investment and brokerage services, more than offset the decrease in net interest income as a result of a decline in ALM activities and spread compression. Offsetting the increase in total revenue was higher provision for credit losses as well as increased noninterest expense resulting from higher personnel expenses.

Total AUM were \$547.4 billion at March 31, 2007, an increase of \$4.5 billion since December 31, 2006 and \$53.5 billion since March 31, 2006. For more information on *GWIM*, see page 53.

All Other

Net income increased \$385 million to \$581 million for the three months ended March 31, 2007 compared to the same period in 2006. Excluding our securitization reclassifications, total revenue increased \$263 million as higher noninterest income, primarily due to higher equity investment gains and all other income, was partially offset by a decrease in net interest income. The increase in net income was also driven by a decrease in provision for credit losses. For more information on *All Other*, see page 56.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased \$443 million to \$8.6 billion for the three months ended March 31, 2007 compared to the same period in 2006. The primary drivers of the decrease were the impact of divestitures of certain foreign operations in 2006, reduced benefits from purchase accounting adjustments from 2006, the impact of hedging activities and the higher cost of deposits. Net interest income also decreased as a result of the adoption of FSP 13-2. These decreases were partially offset by higher levels of consumer (primarily unsecured lines of credit and home equity) and commercial loans, higher ALM portfolio balances and a higher contribution from market-based activity. The net interest yield on a FTE basis decreased 37 basis points (bps) to 2.61 percent for the three months ended March 31, 2007 compared to the same period in 2006.

For more information on net interest income on a FTE basis, see Table 7 on page 41.

Table of Contents**Noninterest Income****Table 2****Noninterest Income**

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Card income	\$ 3,333	\$ 3,434
Service charges	2,072	1,901
Investment and brokerage services	1,149	1,103
Investment banking income	638	501
Equity investment gains	1,014	718
Trading account profits	872	1,060
Mortgage banking income	213	137
Other income	534	47
Total noninterest income	\$ 9,825	\$ 8,901

Noninterest income increased \$924 million to \$9.8 billion for the three months ended March 31, 2007 compared to the same period in 2006, due primarily to the following:

Card income on a held basis decreased \$101 million primarily due to lower excess servicing income and lower merchant discount fees partially offset by the favorable change in value of the interest-only strip, increased cash advance fees and higher debit card income.

Service charges grew \$171 million due to increased non-sufficient funds fees and overdraft charges resulting from new account growth and increased usage in deposit products.

Investment banking income increased \$137 million due to continued strength in debt underwriting.

Equity investment gains increased \$296 million driven by increased liquidity in the capital markets.

Trading account profits decreased \$188 million compared to record results in 2006.

Mortgage banking income increased \$76 million due to the net favorable performance of the MSR's and the impact related to the adoption of SFAS 159. For more information on the impact of SFAS 159 on mortgage banking income, see Mortgage Banking Risk Management on page 87.

Other income increased \$487 million primarily related to mark-to-market losses realized in 2006 on certain economic hedges that did not qualify for SFAS 133 hedge accounting, improved credit mitigation results, and the gain on the sales of our Argentina, Chile and Uruguay operations.

Provision for Credit Losses

The provision for credit losses decreased \$35 million to \$1.2 billion for the three months ended March 31, 2007 compared to the same period in 2006. The decrease was primarily driven by reductions in reserves from consumer credit card securitization activities and the sale of the Argentina portfolio. These decreases were partially offset by higher net charge-offs primarily reflecting seasoning and the trend toward more

normalized loss levels post bankruptcy reform. For more information on credit quality, see Credit Risk Management beginning on page 62.

Table of Contents**Noninterest Expense**
Table 3**Noninterest Expense**

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Personnel	\$ 5,025	\$ 4,813
Occupancy	713	701
Equipment	350	344
Marketing	555	575
Professional fees	229	218
Amortization of intangibles	389	440
Data processing	437	410
Telecommunications	251	220
Other general operating	1,037	1,105
Merger and restructuring charges	111	98
Total noninterest expense	\$ 9,097	\$ 8,924

Noninterest expense increased \$173 million to \$9.1 billion for the three months ended March 31, 2007 compared to the same period in 2006. Growth in personnel expense of \$212 million was primarily driven by higher revenue-related incentive compensation expense as well as stock-based compensation granted to retirement-eligible employees of \$397 million compared to \$320 million for the same period in 2006.

Income Tax Expense

Income tax expense was \$2.6 billion for the three months ended March 31, 2007 compared to \$2.5 billion for the three months ended March 31, 2006, resulting in effective tax rates of 32.8 percent and 33.5 percent, respectively. Income tax expense for the three months ended March 31, 2007 reflects a one-time reduction to expense of approximately \$50 million resulting from the remeasurement of certain accrued tax liabilities due to the evaluation of new guidance from taxing authorities.

Assets

At March 31, 2007, total assets were \$1.5 trillion, an increase of \$42.4 billion, or three percent, from December 31, 2006. Average total assets for the three months ended March 31, 2007 increased \$105.0 billion, or seven percent, compared to the same period in 2006. Growth in period end and average total assets was due to growth in trading account assets driven by higher trading activity, an increase in loans and leases attributable to organic growth and bulk purchases of primarily residential mortgages and auto loans, and an increase in loans held-for-sale. Offsetting this growth was a decrease in AFS debt securities due to the third quarter 2006 strategic shift in balance sheet composition from mortgage-backed securities to residential mortgage loans.

Liabilities and Shareholders' Equity

At March 31, 2007, total liabilities were \$1.4 trillion, an increase of \$42.8 billion, or three percent, from December 31, 2006. Average total liabilities for the three months ended March 31, 2007 increased \$102.6 billion, or eight percent, compared to the same period in 2006. Growth in period end and average total liabilities was attributable to increases in trading account liabilities, federal funds purchased and securities sold under agreements to repurchase, and commercial paper and other short-term borrowings resulting from funding requirements to support the growth in overall assets. Other increases in average long-term debt and deposits were due to the net issuances of long-term debt and organic growth.

Period end shareholders' equity was \$134.9 billion at March 31, 2007, a decrease of \$416 million from December 31, 2006, primarily due to dividend payments, share repurchases and the adoption of certain new accounting standards partially offset by net income and common stock issued in connection with employee benefit plans.

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Average shareholders' equity for the three months ended March 31, 2007, compared to the same period in 2006, increased \$2.4 billion to \$133.6 billion primarily due to net income and the issuances of preferred stock partially offset by net share repurchases and the adoption of certain new accounting standards.

Table 4**Selected Quarterly Financial Data**

(Dollars in millions, per share information in thousands)	2007 Quarter		2006 Quarters		
	First	Fourth	Third	Second	First
Income statement					
Net interest income	\$ 8,268	\$ 8,599	\$ 8,586	\$ 8,630	\$ 8,776
Noninterest income	9,825	9,866	10,067	9,598	8,901
Total revenue	18,093	18,465	18,653	18,228	17,677
Provision for credit losses	1,235	1,570	1,165	1,005	1,270
Gains (losses) on sales of debt securities	62	21	(469)	(9)	14
Noninterest expense	9,097	9,093	8,863	8,717	8,924
Income before income taxes	7,823	7,823	8,156	8,497	7,497
Income tax expense	2,568	2,567	2,740	3,022	2,511
Net income	5,255	5,256	5,416	5,475	4,986
Average common shares issued and outstanding	4,432,664	4,464,110	4,499,704	4,534,627	4,609,481
Average diluted common shares issued and outstanding	4,497,028	4,536,696	4,570,558	4,601,169	4,666,405
Performance ratios					
Return on average assets	1.40 %	1.39 %	1.43 %	1.51 %	1.43 %
Return on average common shareholders' equity	16.16	15.76	16.64	17.26	15.44
Total ending equity to total ending assets	8.98	9.27	9.22	8.85	9.41
Total average equity to total average assets	8.78	8.97	8.63	8.75	9.26
Dividend payout	48.02	47.49	46.82	41.76	46.75
Per common share data					
Earnings	\$ 1.18	\$ 1.17	\$ 1.20	\$ 1.21	\$ 1.08
Diluted earnings	1.16	1.16	1.18	1.19	1.07
Dividends paid	0.56	0.56	0.56	0.50	0.50
Book value	29.74	29.70	29.52	28.17	28.19
Average balance sheet					
Total loans and leases	\$ 714,042	\$ 683,598	\$ 673,477	\$ 635,649	\$ 615,968
Total assets	1,521,418	1,495,150	1,497,987	1,456,004	1,416,373
Total deposits	686,704	680,245	676,851	674,796	659,821
Long-term debt	148,627	140,756	136,769	125,620	117,018
Common shareholders' equity	130,737	132,004	129,098	127,102	130,881
Total shareholders' equity	133,588	134,047	129,262	127,373	131,153
Asset Quality					
Allowance for credit losses	\$ 9,106	\$ 9,413	\$ 9,260	\$ 9,475	\$ 9,462
Nonperforming assets measured at historical cost	2,059	1,856	1,656	1,641	1,680
Allowance for loan and lease losses as a percentage of total loans and leases outstanding measured at historical cost ⁽¹⁾	1.21 %	1.28 %	1.33 %	1.36 %	1.46 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases measured at historical cost	443	505	562	579	572
Net charge-offs	\$ 1,427	\$ 1,417	\$ 1,277	\$ 1,023	\$ 822
Annualized net charge-offs as a percentage of average loans and leases outstanding measured at historical cost ⁽¹⁾	0.81 %	0.82 %	0.75 %	0.65 %	0.54 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding measured at historical cost ⁽¹⁾	0.27	0.25	0.24	0.23	0.26
Nonperforming assets as a percentage of total loans, leases, and foreclosed properties ⁽¹⁾	0.29	0.26	0.25	0.25	0.27
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.51	1.60	1.75	2.21	2.72
Capital ratios (period end)					

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Risk-based capital:

Tier 1	8.57 %	8.64 %	8.48 %	8.33 %	8.45 %
Total	11.94	11.88	11.46	11.25	11.32
Tier 1 leverage	6.25	6.36	6.16	6.13	6.18
Market capitalization	\$ 226,481	\$ 238,021	\$ 240,966	\$ 217,794	\$ 208,633
Market price per share of common stock					
Closing	\$ 51.02	\$ 53.39	\$ 53.57	\$ 48.10	\$ 45.54
High closing	54.05	54.90	53.57	50.47	47.08
Low closing	49.46	51.66	47.98	45.48	43.09

⁽¹⁾Ratios do not include loans measured at fair value in accordance with SFAS 159 at and for the period ended March 31, 2007. Loans measured at fair value were \$3.86 billion at March 31, 2007.

Table of Contents**Supplemental Financial Data**

Table 5 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by GAAP. Other companies may define or calculate supplemental financial data differently.

Operating Basis Presentation

In managing our business, we may at times look at performance excluding certain nonrecurring items. For example, as an alternative to net income, we view results on an operating basis, which represents net income excluding merger and restructuring charges. The operating basis of presentation is not defined by GAAP. We believe that the exclusion of merger and restructuring charges, which represent events outside our normal operations, provides a meaningful period-to-period comparison and is more reflective of normalized operations.

Net Interest Income FTE Basis

In addition, we view net interest income and related ratios and analysis (i.e., efficiency ratio, net interest yield and operating leverage) on a FTE basis. Although this is a non-GAAP measure, we believe managing the business with net interest income on a FTE basis provides a more accurate picture of the interest margin for comparative purposes. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 35 percent. This measure ensures comparability of net interest income arising from taxable and tax-exempt sources.

Performance Measures

As mentioned above, certain performance measures including the efficiency ratio, net interest yield and operating leverage utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield evaluates how many basis points we are earning over the cost of funds. Operating leverage measures the total percentage revenue growth minus the total percentage expense growth for the corresponding period. During our annual integrated planning process, we set operating leverage and efficiency targets for the Corporation and each line of business. We believe the use of these non-GAAP measures provides additional clarity in assessing the results of the Corporation. Targets vary by year and by business, and are based on a variety of factors including maturity of the business, investment appetite, competitive environment, market factors, and other items (e.g., risk appetite). The aforementioned performance measures and ratios, EPS, diluted EPS, return on average assets, and dividend payout ratio, as well as those measures discussed more fully below, are presented in Table 5.

Return on Average Common Shareholders' Equity, Return on Average Tangible Shareholders' Equity and Shareholder Value Added

We also evaluate our business based upon ROE, ROTE and SVA measures. ROE, ROTE and SVA utilize non-GAAP allocation methodologies. ROE measures the earnings contribution of a unit as a percentage of the shareholders' equity allocated to that unit. ROTE measures the earnings contribution of the Corporation as a percentage of shareholders' equity reduced by goodwill. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital. These measures are used to evaluate our use of equity (i.e., capital) at the individual unit level and are integral components in the analytics for resource allocation. We believe using SVA as a performance measure places specific focus on whether incremental investments generate returns in excess of the costs of capital associated with those investments. In addition, profitability, relationship, and investment models all use ROE and SVA as key measures to support our overall growth goal.

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Table 5

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, except per share information)	Three Months Ended March 31	
	2007	2006
Operating basis		
Operating earnings	\$ 5,325	\$ 5,047
Operating earnings per common share	1.19	1.09
Diluted operating earnings per common share	1.17	1.08
Shareholder value added	2,168	1,937
Return on average assets	1.42 %	1.45 %
Return on average common shareholders' equity	16.38	15.63
Return on average tangible shareholders' equity	31.81	31.46
Operating efficiency ratio (FTE basis)	48.78	49.19
Dividend payout ratio	47.39	46.18
Operating leverage	0.86	3.51
FTE basis data		
Net interest income	\$ 8,597	\$ 9,040
Total revenue	18,422	17,941
Net interest yield	2.61 %	2.98 %
Efficiency ratio	49.38	49.74
Reconciliation of net income to operating earnings		
Net income	\$ 5,255	\$ 4,986
Merger and restructuring charges	111	98
Related income tax benefit	(41)	(37)
Operating earnings	\$ 5,325	\$ 5,047
Reconciliation of average shareholders' equity to average tangible shareholders' equity		
Average shareholders' equity	\$ 133,588	\$ 131,153
Average goodwill	(65,703)	(66,094)
Average tangible shareholders' equity	\$ 67,885	\$ 65,059
Reconciliation of EPS to operating EPS		
Earnings per common share	\$ 1.18	\$ 1.08
Effect of merger and restructuring charges, net of tax benefit	0.01	0.01
Operating earnings per common share	\$ 1.19	\$ 1.09
Reconciliation of diluted EPS to diluted operating EPS		
Diluted earnings per common share	\$ 1.16	\$ 1.07
Effect of merger and restructuring charges, net of tax benefit	0.01	0.01
Diluted operating earnings per common share	\$ 1.17	\$ 1.08
Reconciliation of net income to shareholder value added		
Net income	\$ 5,255	\$ 4,986
Amortization of intangibles	389	440
Merger and restructuring charges, net of tax benefit	70	61
Cash basis earnings on an operating basis	5,714	5,487
Capital charge	(3,546)	(3,550)
Shareholder value added	\$ 2,168	\$ 1,937
Reconciliation of return on average assets to operating return on average assets		
Return on average assets	1.40 %	1.43 %
Effect of merger and restructuring charges, net of tax benefit	0.02	0.02
Operating return on average assets	1.42 %	1.45 %
Reconciliation of return on average common shareholders' equity to operating return on average common shareholders' equity		
Return on average common shareholders' equity	16.16 %	15.44 %
Effect of merger and restructuring charges, net of tax benefit	0.22	0.19
Operating return on average common shareholders' equity	16.38 %	15.63 %
Reconciliation of return on average tangible shareholders' equity to operating return on average tangible shareholders' equity		
Return on average tangible shareholders' equity	31.39 %	31.08 %
Effect of merger and restructuring charges, net of tax benefit	0.42	0.38
Operating return on average tangible shareholders' equity	31.81 %	31.46 %
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)		

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Efficiency ratio	49.38	%	49.74	%
Effect of merger and restructuring charges	(0.60)		(0.55)	
Operating efficiency ratio	48.78	%	49.19	%
Reconciliation of dividend payout ratio to operating dividend payout ratio				
Dividend payout ratio	48.02	%	46.75	%
Effect of merger and restructuring charges, net of tax benefit	(0.63)		(0.57)	
Operating dividend payout ratio	47.39	%	46.18	%
Reconciliation of operating leverage to operating basis operating leverage				
Operating leverage	0.74	%	4.14	%
Effect of merger and restructuring charges	0.12		(0.63)	
Operating leverage	0.86	%	3.51	%

Table of Contents**Core Net Interest Income Managed Basis**

In managing our business, we review core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *GCIB* business segment section beginning on page 49, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for the *Capital Markets and Advisory Services* business. We also adjust for loans that we originated and sold into certain securitizations. These securitizations include off-balance sheet loans and leases, specifically those loans in revolving securitizations and other securitizations where servicing is retained by the Corporation (e.g., credit card and home equity lines). Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in assessing the results of the Corporation. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Table 6**Core Net Interest Income Managed Basis**

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Net interest income		
As reported ⁽¹⁾	\$ 8,597	\$ 9,040
Impact of market-based net interest income ⁽²⁾	(484)	(412)
Core net interest income	8,113	8,628
Impact of securitizations ⁽³⁾	1,859	1,725
Core net interest income managed basis	\$ 9,972	\$ 10,353
Average earning assets		
As reported	\$ 1,321,946	\$ 1,219,611
Impact of market-based earning assets ⁽²⁾	(408,113)	(336,606)
Core average earning assets	913,833	883,005
Impact of securitizations	102,529	96,268
Core average earning assets managed basis	\$ 1,016,362	\$ 979,273
Net interest yield contribution		
As reported ⁽¹⁾	2.61 %	2.98 %
Impact of market-based activities	0.95	0.95
Core net interest yield on earning assets	3.56	3.93
Impact of securitizations	0.38	0.32
Core net interest yield on earning assets managed basis	3.94 %	4.25 %

⁽¹⁾ FTE basis

⁽²⁾ Represents amounts from the *Capital Markets and Advisory Services* business within *GCIB*.

⁽³⁾ Represents the impact of securitizations utilizing actual bond costs. This is different from the segment view which utilizes funds transfer pricing methodologies. Core net interest income on a managed basis decreased \$381 million for the three months ended March 31, 2007 compared to the same period in 2006. This decrease was primarily driven by the impact of the divestitures of certain foreign operations, reduced benefits from purchase accounting adjustments from 2006, the impact of hedging activities, reduced commercial leasing revenue resulting from the adoption of FSP 13-2 and the higher cost of deposits. Partially offsetting these decreases was consumer (primarily lines of credit and home equity) and commercial loan growth, and higher ALM portfolio balances.

On a managed basis, core average earning assets increased \$37.1 billion for the three months ended March 31, 2007 compared to the same period in 2006 due to higher levels of consumer (organic growth in home equity and unsecured lines of credit, and purchased auto loan pools) and commercial loans, and higher ALM portfolio levels (higher residential mortgages partially offset by lower securities).

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Core net interest yield on a managed basis decreased 31 bps for the three months ended March 31, 2007 compared to the same period in 2006, due to reduced benefits from purchase accounting adjustments from 2006, the impact of hedging activities, the adoption of FSP 13-2, and the divestitures of businesses. In addition, the core net interest yield was adversely impacted by overall spread compression due to the flat to inverted yield curve and an increased reliance on wholesale funding.

Table 7**Quarterly Average Balances and Interest Rates - FTE Basis**

(Dollars in millions)	First Quarter 2007				Fourth Quarter 2006			
	Average Balance	Interest Income/Expense	Yield/Rate		Average Balance	Interest Income/Expense	Yield/Rate	
Earning assets								
Time deposits placed and other short-term investments	\$ 15,023	\$ 169	4.57	%	\$ 15,760	\$ 166	4.19	%
Federal funds sold and securities purchased under agreements to resell	166,195	1,979	4.79		174,167	2,068	4.73	
Trading account assets	175,249	2,357	5.41		167,163	2,289	5.46	
Debt securities ⁽¹⁾	186,498	2,451	5.27		193,601	2,504	5.17	
Loans and leases ⁽²⁾ :								
Residential mortgage	246,618	3,504	5.69		225,985	3,202	5.66	
Credit card domestic	57,720	1,887	13.26		59,802	2,101	13.94	
Credit card foreign	11,133	317	11.55		10,375	305	11.66	
Home equity ⁽³⁾	89,561	1,679	7.60		84,907	1,626	7.60	
Direct/Indirect consumer	60,155	1,221	8.23		53,478	1,101	8.17	
Other consumer ⁽⁴⁾	8,809	204	9.36		10,597	225	8.47	
Total consumer	473,996	8,812	7.50		445,144	8,560	7.65	
Commercial domestic	163,620	2,934	7.27		158,604	2,907	7.27	
Commercial real estate ⁽⁵⁾	36,117	672	7.55		36,851	704	7.58	
Commercial lease financing	19,651	175	3.55		21,159	254	4.80	
Commercial foreign	20,658	330	6.48		21,840	337	6.12	
Total commercial	240,046	4,111	6.94		238,454	4,202	7.00	
Total loans and leases	714,042	12,923	7.31		683,598	12,762	7.42	
Other earning assets	64,939	1,010	6.28		65,172	1,058	6.46	
Total earning assets ⁽⁶⁾	1,321,946	20,889	6.37		1,299,461	20,847	6.39	
Cash and cash equivalents	33,623				32,816			
Other assets, less allowance for loan and lease losses	165,849				162,873			
Total assets	\$ 1,521,418				\$ 1,495,150			
Interest-bearing liabilities								
Domestic interest-bearing deposits:								
Savings	\$ 32,773	\$ 41	0.50	%	\$ 32,965	\$ 48	0.58	%
NOW and money market deposit accounts	212,249	936	1.79		211,055	966	1.81	
Consumer CDs and IRAs	159,505	1,832	4.66		154,621	1,794	4.60	
Negotiable CDs, public funds and other time deposits	13,376	136	4.12		13,052	140	4.30	
Total domestic interest-bearing deposits	417,903	2,945	2.86		411,693	2,948	2.84	
Foreign interest-bearing deposits:								
Banks located in foreign countries	40,372	531	5.34		38,648	507	5.21	
Governments and official institutions	14,482	178	4.98		14,220	168	4.70	
Time, savings and other	39,534	380	3.90		41,328	366	3.50	
Total foreign interest-bearing deposits	94,388	1,089	4.68		94,196	1,041	4.38	
Total interest-bearing deposits	512,291	4,034	3.19		505,889	3,989	3.13	
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	414,104	5,318	5.20		405,748	5,222	5.11	
Trading account liabilities	77,635	892	4.66		75,261	800	4.21	
Long-term debt	148,627	2,048	5.51		140,756	1,881	5.34	
Total interest-bearing liabilities ⁽⁶⁾	1,152,657	12,292	4.31		1,127,654	11,892	4.19	
Noninterest-bearing sources:								
Noninterest-bearing deposits	174,413				174,356			
Other liabilities	60,760				59,093			
Shareholders equity	133,588				134,047			

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Total liabilities and shareholders equity	\$ 1,521,418			\$ 1,495,150	
Net interest spread		2.06	%		2.20 %
Impact of noninterest-bearing sources		0.55			0.55
Net interest income/yield on earning assets	\$ 8,597	2.61	%	\$ 8,955	2.75 %

(1) Yields on AFS debt securities are calculated based on fair value rather than historical cost balances. The use of fair value does not have a material impact on net interest yield.

(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.

(3) Includes home equity loans of \$13.5 billion in the first quarter of 2007, and \$11.7 billion, \$9.9 billion, \$8.7 billion and \$8.2 billion in the fourth, third, second and first quarters of 2006, respectively.

(4) Includes consumer finance loans of \$3.0 billion in the first quarter of 2007, and \$2.8 billion, \$2.9 billion, \$3.0 billion and \$3.0 billion in the fourth, third, second and first quarters of 2006, respectively; and foreign consumer loans of \$5.8 billion in the first quarter of 2007, and \$7.8 billion, \$8.1 billion, \$7.8 billion and \$7.3 billion in the fourth, third, second and first quarters of 2006, respectively.

(5) Includes domestic commercial real estate loans of \$35.5 billion in the first quarter of 2007, and \$36.1 billion, \$36.7 billion, \$36.0 billion and \$36.0 billion in the fourth, third, second and first quarters of 2006, respectively.

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(Dollars in millions)	Third Quarter 2006				Second Quarter 2006 ⁽⁷⁾				First Quarter 2006			
	Average Balance	Interest Income/Expense	Yield/Rate		Average Balance	Interest Income/Expense	Yield/Rate		Average Balance	Interest Income/Expense	Yield/Rate	
Earning assets												
Time deposits placed and other short-term investments	\$ 15,629	\$ 173	4.39 %		\$ 16,691	\$ 168	4.05 %		\$ 14,347	\$ 139	3.92 %	
Federal funds sold and securities purchased under agreements to resell	173,381	2,146	4.94		179,104	1,900	4.25		174,711	1,709	3.94	
Trading account assets	146,817	1,928	5.24		133,556	1,712	5.13		133,361	1,623	4.89	
Debt securities ⁽¹⁾	236,033	3,136	5.31		236,967	3,162	5.34		234,606	3,043	5.19	
Loans and leases ⁽²⁾ :												
Residential mortgage	222,889	3,151	5.65		197,228	2,731	5.54		184,796	2,524	5.48	
Credit card domestic	62,508	2,189	13.90		64,980	2,168	13.38		68,169	2,180	12.97	
Credit card foreign	9,455	286	12.02		8,305	269	12.97		8,403	287	13.86	
Home equity ⁽³⁾	79,901	1,522	7.56		75,897	1,378	7.28		72,422	1,247	6.98	
Direct/Indirect consumer	51,534	1,022	7.90		48,000	910	7.59		46,801	851	7.32	
Other consumer ⁽⁴⁾	11,076	298	10.66		10,804	294	10.95		10,357	272	10.59	
Total consumer	437,363	8,468	7.71		405,214	7,750	7.66		390,948	7,361	7.60	
Commercial domestic	153,007	2,805	7.28		148,445	2,695	7.28		144,693	2,490	6.97	
Commercial real estate ⁽⁵⁾	37,471	724	7.67		36,749	680	7.41		36,676	632	6.99	
Commercial lease financing	20,875	232	4.46		20,896	262	5.01		20,512	247	4.82	
Commercial foreign	24,761	454	7.27		24,345	456	7.52		23,139	427	7.48	
Total commercial	236,114	4,215	7.09		230,435	4,093	7.12		225,020	3,796	6.83	
Total loans and leases	673,477	12,683	7.49		635,649	11,843	7.47		615,968	11,157	7.32	
Other earning assets	57,029	914	6.38		51,928	808	6.24		46,618	718	6.22	
Total earning assets ⁽⁶⁾	1,302,366	20,980	6.41		1,253,895	19,593	6.26		1,219,611	18,389	6.08	
Cash and cash equivalents	33,495				35,070				34,857			
Other assets, less allowance for loan and lease losses	162,126				167,039				161,905			
Total assets	\$ 1,497,987				\$ 1,456,004				\$ 1,416,373			
Interest-bearing liabilities												
Domestic interest-bearing deposits:												
Savings	\$ 34,268	\$ 69	0.81 %		\$ 35,681	\$ 76	0.84 %		\$ 35,550	\$ 76	0.87 %	
NOW and money market deposit accounts	212,690	1,053	1.96		221,198	996	1.81		227,606	908	1.62	
Consumer CDs and IRAs	147,607	1,658	4.46		141,408	1,393	3.95		135,068	1,177	3.53	
Negotiable CDs, public funds and other time deposits	14,105	150	4.19		13,005	123	3.80		8,551	70	3.30	
Total domestic interest-bearing deposits	408,670	2,930	2.84		411,292	2,588	2.52		406,775	2,231	2.22	
Foreign interest-bearing deposits:												
Banks located in foreign countries	38,588	562	5.78		32,456	489	6.05		30,116	424	5.71	
Governments and official institutions	12,801	156	4.83		13,428	155	4.63		10,200	107	4.25	
Time, savings and other	40,444	328	3.22		37,178	276	2.98		35,136	245	2.83	
Total foreign interest-bearing deposits	91,833	1,046	4.52		83,062	920	4.44		75,452	776	4.17	
Total interest-bearing deposits	500,503	3,976	3.15		494,354	3,508	2.85		482,227	3,007	2.53	
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	429,882	5,467	5.05		408,734	4,842	4.75		399,896	4,309	4.37	
Trading account liabilities	69,462	727	4.15		61,263	596	3.90		52,466	517	3.99	
Long-term debt	136,769	1,916	5.60		125,620	1,721	5.48		117,018	1,516	5.18	
Total interest-bearing liabilities ⁽⁶⁾	1,136,616	12,086	4.23		1,089,971	10,667	3.92		1,051,607	9,349	3.60	
Noninterest-bearing sources:												
Noninterest-bearing deposits	176,348				180,442				177,594			
Other liabilities	55,761				58,218				56,019			
Shareholders equity	129,262				127,373				131,153			
Total liabilities and shareholders equity	\$ 1,497,987				\$ 1,456,004				\$ 1,416,373			
Net interest spread			2.18 %				2.34 %				2.48 %	
Impact of noninterest-bearing sources			0.55				0.51				0.50	
Net interest income/yield on earning assets		\$ 8,894	2.73 %			\$ 8,926	2.85 %			\$ 9,040	2.98 %	

- ⁽⁶⁾Interest income includes the impact of interest rate risk management contracts, which increased (decreased) interest income on the underlying assets \$(121) million in the first quarter of 2007, and \$(198) million, \$(128) million, \$(54) million and \$8 million in the fourth, third, second and first quarters of 2006, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities \$179 million in the first quarter of 2007, and \$(69) million, \$(48) million, \$87 million and \$136 million in the fourth, third, second and first quarters of 2006, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 82.
- ⁽⁷⁾Interest income (FTE basis) for the three months ended June 30, 2006, does not include the cumulative tax charge resulting from a change in tax legislation relating to extraterritorial tax income and foreign sales corporation regimes. The FTE impact to net interest income and net interest yield on earning assets of this retroactive tax adjustment was a reduction of \$270 million and 9 bps, respectively, for the three months ended June 30, 2006. Management has excluded this one-time impact to provide a more comparative basis of presentation for net interest income and net interest yield on earning assets on a FTE basis. The impact on any given future period is not expected to be material.

Table of Contents**Business Segment Operations*****Segment Description***

The Corporation reports the results of its operations through three business segments: *GCSBB*, *GCIB* and *GWIM*, with the remaining operations recorded in *All Other*. Effective January 1, 2007, the Corporation changed its basis of presentation to present *GCSBB*, specifically *Card Services*, on a managed basis with a corresponding offset recorded in *All Other*. Also, the financial results of certain businesses that are expected to be or have been sold have been transferred to *All Other*. In addition, certain management accounting methodologies and related allocations were refined. Prior period segment results have been adjusted to reflect these changes. These changes did not have an impact on the previously reported consolidated results of the Corporation. For more information of changes to the Corporation's basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue and net income amounts, see Note 16 of the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 38. We begin by evaluating the operating results of the businesses which by definition excludes merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine operating income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

The management accounting reporting process derives segment and business results by utilizing allocation methodologies for revenue, expense and capital. The net income derived for the businesses are dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

The Corporation's ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. Some ALM activities are recorded in the businesses (i.e., *Deposits*) such as external product pricing decisions, including deposit pricing strategies, as well as the effects of our internal funds transfer pricing process and other ALM actions such as portfolio positioning. The net effects of other ALM activities are reported in each of the Corporation's segments under *ALM/Other*. In addition, any residual effect of the funds transfer pricing process is retained in *All Other*.

Certain expenses not directly attributable to a specific business segment are allocated to the segments based on pre-determined means. The most significant of these expenses include data processing costs, item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies which reflect utilization.

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit's credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 62. ROE is calculated by dividing net income by average allocated equity. SVA is defined as cash basis earnings on an operating basis less a charge for the use of capital (i.e., equity). Cash basis earnings on an operating basis is defined as net income adjusted to exclude merger and restructuring charges and amortization of intangibles. The charge for capital is calculated by multiplying 11 percent (management's estimate of the shareholders' minimum required rate of return on capital invested) by average total common shareholders' equity at the corporate level and by average allocated equity at the business segment level. Average equity is allocated to the business segments and related businesses and is impacted by the portion of goodwill that is specifically assigned to the businesses and the unallocated portion of goodwill that resides in *ALM/Other*. Management reviews the estimate of the rate used to calculate the capital charge annually. The Capital Asset Pricing Model is used to estimate our cost of capital.

Table of Contents**Global Consumer and Small Business Banking****Three Months Ended March 31, 2007**

(Dollars in millions)	Total ⁽¹⁾	Card		Consumer	
		Deposits	Services ⁽¹⁾	Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$ 7,028	\$ 2,367	\$ 3,990	\$ 524	\$ 147
Noninterest income					
Card income	2,451	500	1,951		
Service charges	1,377	1,376		1	
Mortgage banking income	302			302	
All other income	264		189	13	62
Total noninterest income	4,394	1,876	2,140	316	62
Total revenue ⁽³⁾	11,422	4,243	6,130	840	209
Managed credit impact	2,411	39	2,299	29	44
Gains (losses) on sales of debt securities	(1)				(1)
Noninterest expense	4,728	2,157	2,000	450	121
Income before income taxes ⁽³⁾	4,282	2,047	1,831	361	43
Income tax expense ⁽³⁾	1,586	759	678	134	15
Net income	\$ 2,696	\$ 1,288	\$ 1,153	\$ 227	\$ 28
Shareholder value added	\$ 1,346	\$ 955	\$ 227	\$ 130	\$ 34
Net interest yield ⁽³⁾	8.25 %	2.86 %	8.02 %	2.13 %	n/m
Return on average equity ⁽⁴⁾	17.58	35.00	10.64	25.82	n/m
Efficiency ratio ⁽³⁾	41.40	50.82	32.63	53.53	n/m
Period end total assets ⁽⁵⁾	\$ 407,654	\$ 344,143	\$ 234,601	\$ 105,959	n/m

Three Months Ended March 31, 2006

(Dollars in millions)	Total ⁽¹⁾	Card		Consumer	
		Deposits	Services ⁽¹⁾	Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$ 7,092	\$ 2,288	\$ 4,139	\$ 478	\$ 187
Noninterest income					
Card income	2,107	430	1,677		
Service charges	1,190	1,189		1	
Mortgage banking income	205			205	
All other income	248		184	13	51
Total noninterest income	3,750	1,619	1,861	219	51
Total revenue ⁽³⁾	10,842	3,907	6,000	697	238
Managed credit impact	1,901	28	1,809	14	50
Gains (losses) on sales of debt securities	(1)				(1)
Noninterest expense	4,612	2,166	1,945	411	90
Income before income taxes ⁽³⁾	4,328	1,713	2,246	272	97
Income tax expense ⁽³⁾	1,604	634	833	101	36
Net income	\$ 2,724	\$ 1,079	\$ 1,413	\$ 171	\$ 61
Shareholder value added	\$ 1,311	\$ 770	\$ 477	\$ 92	\$ (28)
Net interest yield ⁽³⁾	8.35 %	2.72 %	8.93 %	2.22 %	n/m
Return on average equity ⁽⁴⁾	16.73	30.10	12.68	23.79	n/m
Efficiency ratio ⁽³⁾	42.54	55.47	32.41	59.07	n/m
Period end total assets ⁽⁵⁾	\$ 406,032	\$ 351,937	\$ 215,333	\$ 91,030	n/m

- (1) Presented on a managed basis, specifically *Card Services*.
 - (2) Effective January 1, 2007, *GCSBB* combined the former *Mortgage* and *Home Equity* businesses into *Consumer Real Estate*.
 - (3) FTE basis
 - (4) Average allocated equity for *GCSBB* was \$62.2 billion and \$66.0 billion for the three months ended March 31, 2007 and 2006.
 - (5) Total assets include asset allocations to match liabilities (i.e., deposits).
- n/m = not meaningful

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(Dollars in millions)	Ending Balance March 31		Average Balance Three Months Ended	
	2007	2006	2007	2006
Total loans and leases	\$ 309,992	\$ 278,197	\$ 308,105	\$ 279,382
Total earning assets ⁽¹⁾	349,694	351,772	345,511	344,423
Total assets ⁽¹⁾	407,654	406,032	400,576	396,821
Total deposits	334,968	342,521	326,552	332,702

⁽¹⁾Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

The strategy for *GCSBB* is to attract, retain and deepen customer relationships. We achieve this strategy through our ability to offer a wide range of products and services through a franchise that stretches coast to coast through 30 states and the District of Columbia. We also provide credit card products to customers in Canada, Ireland, Spain and the United Kingdom. In the U.S., we serve more than 56 million consumer and small business relationships utilizing our network of 5,737 banking centers, 17,117 domestic branded ATMs, and telephone and Internet channels. Within *GCSBB*, there are three primary businesses: *Deposits*, *Card Services*, and *Consumer Real Estate*. In addition, *ALM/Other* includes the results of ALM activities and other consumer-related businesses (e.g., insurance). *GCSBB*, specifically *Card Services*, is presented on a managed basis. For a reconciliation of managed *GCSBB* to held *GCSBB*, see Note 16 of the Consolidated Financial Statements.

Net income decreased \$28 million to \$2.7 billion and net interest income decreased \$64 million for the three months ended March 31, 2007 compared to the same period in 2006. The decrease in net income was primarily due to higher managed credit costs in *Card Services* and an increase in noninterest expense partially offset by higher card income, service charges and mortgage banking income. The decrease in net interest income was primarily due to spread compression on our *Card Services* products, partially offset by disciplined pricing on our deposit products and an increase in total average loans and leases.

Noninterest income increased \$644 million, or 17 percent for the three months ended March 31, 2007 compared to the same period in 2006, mainly due to increases of \$344 million in card income, \$187 million in service charges and \$97 million in mortgage banking income. Card income was higher primarily due to the favorable change in value of the interest-only strip, and increases in cash advance fees, debit card income and late fees. Service charges increased due to new account growth and increased usage. Mortgage banking income increased due to the net favorable performance of the MSR's and the impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale.

The managed credit impact increased \$510 million, or 27 percent, to \$2.4 billion for the three months ended March 31, 2007 compared to the same period in 2006. This increase primarily resulted from a \$490 million increase in *Card Services* which was mainly driven by portfolio seasoning and a trend toward more normalized loss levels post bankruptcy reform. For further discussion of this increase in the managed credit impact related to *Card Services*, see the *Card Services* discussion on page 46.

Noninterest expense increased \$116 million for the three months ended March 31, 2007 compared to the same period in 2006 primarily due to an increase in personnel expense.

Deposits

Deposits provides a comprehensive range of products to consumers and small businesses. Our products include traditional savings accounts, money market savings accounts, CDs and IRAs, and regular and interest-checking accounts. Debit card results are also included in *Deposits*.

Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. *Deposits* also generate various account fees such as non-sufficient fund fees, overdraft charges and account service fees while debit cards generate interchange fees. Interchange fees are volume based and paid by merchants to have the debit transactions processed.

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We added approximately 487,000 net new retail checking accounts and 427,000 net new retail savings accounts for the three months ended March 31, 2007. These additions resulted from continued improvement in sales and service results in the Banking Center Channel, the success of innovative products such as Keep the Change™ as well as eCommerce accessibility and customer referrals.

The Corporation continues to migrate qualifying affluent customers, and their related deposit balances and associated net interest income from *GCSBB* to *GWIM*. For the three months ended March 31, 2007 and 2006, a total of \$3.6 billion and \$3.2 billion of deposits were migrated from *GCSBB* to *GWIM*.

Net income increased \$209 million, or 19 percent, for the three months ended March 31, 2007 compared to the same period in 2006. The increase in net income was driven by an increase in total revenue of \$336 million, or nine percent. Net interest income increased \$79 million, or three percent, resulting from disciplined pricing which contributed to deposit spreads increasing 15 bps to 3.05 percent. Average deposits decreased \$6.3 billion, or two percent, primarily due to certain product runoff and the migration of deposit balances to *GWIM* partially offset by organic growth. Noninterest income increased \$257 million, or 16 percent, driven by higher service charges and higher debit card interchange income. The increase to service charges was primarily due to increased non-sufficient funds fees and overdraft charges resulting from new account growth and increased usage. Debit card interchange income was higher due to a higher number of checking accounts, increased usage and continued improvements in penetration rates (i.e., increase in the number of existing account holders with debit cards).

Total noninterest expense remained relatively flat at \$2.2 billion for the three months ended March 31, 2007 compared to the same period in 2006.

Card Services

Card Services, which excludes the results of debit cards (included in *Deposits*), provides a broad offering of products, including U.S. Consumer and Business Card, Unsecured Lending, Merchant Services and International Card Businesses. We offer a variety of co-branded and affinity credit card products and have become the leading issuer of credit cards through endorsed marketing in the U.S. and Europe.

Effective January 1, 2007, the Corporation began reporting its *GCSBB* results, specifically *Card Services*, on a managed basis. The change to a managed basis is consistent with the way that management as well as analysts evaluate the results of *GCSBB*. Managed basis assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding vehicle that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet qualified special purpose entity which is excluded from the Corporation's consolidated financial statements in accordance with GAAP.

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans.

Net income decreased \$260 million, or 18 percent, for the three months ended March 31, 2007 compared to the same period in 2006. The decrease was driven by higher managed credit impact and a decrease in net interest income partially offset by an increase in noninterest income. Net interest income decreased \$149 million, or four percent, to \$4.0 billion for the three months ended March 31, 2007 compared to the same period in 2006. This decrease was driven by spread compression, partially offset by additional income resulting from an increase in total average outstandings.

Noninterest income increased \$279 million, or 15 percent, to \$2.1 billion for the three months ended March 31, 2007 compared to the same period in 2006, primarily due to the favorable change in value of the interest-only strip and organic growth which increased cash advance fees and late fees.

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The managed credit impact increased \$490 million, or 27 percent, to \$2.3 billion for the three months ended March 31, 2007 compared to the same period in 2006. This increase was primarily driven by higher losses from portfolio seasoning and a trend toward more normalized loss levels post bankruptcy reform. These increases were partially offset by reserve reductions from the addition of legacy Bank of America accounts which have a higher loss profile to the domestic consumer credit card securitization master trust and increased securitizations from the trust.

Key Statistics (Dollars in millions)	Three Months Ended March 31	
	2007	2006
Card Services		
Average total loans and leases:		
Managed	\$ 201,166	\$ 186,686
Held	99,390	93,910
Period end total loans and leases:		
Managed	200,424	184,892
Held	98,061	90,533
Managed net losses:		
Amount	2,331	1,332
Percent	4.70 %	2.89 %
Credit Card ⁽¹⁾		
Average total loans and leases:		
Managed	\$ 167,392	\$ 162,138
Held	68,853	76,572
Period end total loans and leases:		
Managed	165,416	159,433
Held	65,920	72,279
Managed net losses:		
Amount	1,953	1,246
Percent	4.73 %	3.12 %

⁽¹⁾Includes U.S. consumer card and foreign credit card. Does not include business card.

Managed net losses increased \$999 million to \$2.3 billion, or 4.70 percent of average *Card Services* outstandings, for the three months ended March 31, 2007 compared to \$1.3 billion, or 2.89 percent (\$1.5 billion or 3.35 percent excluding the impact of SOP 03-3) for the same period in 2006. This increase was driven by portfolio seasoning and a trend toward more normalized loss levels post bankruptcy reform. See Consumer Portfolio Credit Risk Management SOP 03-3 on page 66 for more information on SOP 03-3.

Managed *Card Services* total average loans and leases increased \$14.5 billion to \$201.2 billion for the three months ended March 31, 2007 compared to the same period in 2006, primarily driven by growth in the foreign and unsecured lending portfolios.

Managed credit card net losses increased \$707 million to \$2.0 billion, or 4.73 percent of average credit card outstandings, for the three months ended March 31, 2007 compared to \$1.2 billion, or 3.12 percent (\$1.4 billion or 3.39 percent excluding the impact of SOP 03-3) for the same period in 2006. The increase was driven by portfolio seasoning and a trend toward more normalized loss levels post bankruptcy reform.

Managed credit card total average loans and leases increased \$5.3 billion to \$167.4 billion for the three months ended March 31, 2007 compared to the same period in 2006. The increase was primarily driven by growth in foreign portfolios.

Consumer Real Estate

Consumer Real Estate generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Consumer Real Estate* products are available to our customers through a retail network of personal bankers located in 5,737 banking centers, sales account executives in nearly 200 locations and through a sales force offering

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our customers direct telephone and online access to our products. Additionally, we serve our customers through a partnership with more than 7,000 mortgage brokers in all 50 states. *Consumer Real Estate* products include fixed and adjustable rate loans for home purchase and refinancing needs, lines of credit and home equity loans. To manage this portfolio, mortgage products are either sold into the secondary mortgage market to investors, while retaining the Bank of America customer relationships, or are held on our balance sheet for ALM purposes. *Consumer Real Estate* is not impacted by the Corporation's mortgage production retention decisions as *Consumer Real Estate* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*.

The consumer real estate business includes the origination, fulfillment, sale and servicing of first mortgage loan products and home equity products. Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Servicing income includes ancillary income derived in connection with these activities such as late fees.

Consumer Real Estate first mortgage and home equity production within *GCSBB* was \$36.6 billion for the three months ended March 31, 2007 compared to \$30.2 billion for the same period in 2006.

Net income for *Consumer Real Estate* increased \$56 million, or 33 percent, for the three months ended March 31, 2007 compared to the same period in 2006. The increase in net income was driven by an increase in total revenue of \$143 million, or 21 percent, partially offset by a \$39 million increase in noninterest expense. The increase in total revenue was due to an increase of \$46 million, or 10 percent, in net interest income and an increase of \$97 million, or 47 percent, in mortgage banking income. Net interest income growth was primarily driven by loan production in our home equity business. The increase in mortgage banking income was primarily due to the net favorable performance of the MSR's and the impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale. For more information on the adoption of SFAS 159 on mortgage banking income, see Mortgage Banking Risk Management on page 87. The net impact on earnings from adopting SFAS 159 for residential mortgage loans held-for-sale, including the recognition of all direct loan origination fees and costs discussed below, was \$11 million for the three months ended March 31, 2007.

Total noninterest expense increased \$39 million, or nine percent, for the three months ended March 31, 2007 compared to the same period in 2006 primarily driven by the impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale which resulted in direct origination costs related to loans for which the fair value option was elected being recorded in earnings as incurred.

The *Consumer Real Estate* servicing portfolio includes loans serviced for others and originated and retained residential mortgages. The servicing portfolio at March 31, 2007 was \$434.9 billion, \$15.4 billion higher than at December 31, 2006, primarily driven by production. Included in this amount was \$234.0 billion of loans serviced for others.

At March 31, 2007, the consumer MSR balance was \$3.0 billion, an increase of \$94 million, or three percent, from December 31, 2006. This value represented 127 bps of the related unpaid principal balance, a 2 bps increase from December 31, 2006.

ALM/Other

ALM/Other is comprised primarily of the allocation of a portion of the Corporation's net interest income from ALM activities and the results of other consumer-related businesses (e.g., insurance).

Net income decreased \$33 million for the three months ended March 31, 2007 compared to the same period in 2006. The decrease was primarily a result of a lower contribution from ALM activities.

Table of Contents**Global Corporate and Investment Banking**

(Dollars in millions)	Three Months Ended March 31, 2007				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income ⁽¹⁾	\$ 2,412	\$ 1,075	\$ 484	\$ 933	\$ (80)
Noninterest income					
Service charges	653	125	27	501	
Investment and brokerage services	232		221	11	
Investment banking income	703		703		
Trading account profits	838	(3)	822	12	7
All other income	483	151	101	167	64
Total noninterest income	2,909	273	1,874	691	71
Total revenue ⁽¹⁾	5,321	1,348	2,358	1,624	(9)
Provision for credit losses	115	105	11	1	(2)
Gains on sales of debt securities	2		2		
Noninterest expense	2,900	516	1,508	846	30
Income before income taxes ⁽¹⁾	2,308	727	841	777	(37)
Income tax expense (benefit) ⁽¹⁾	861	269	313	288	(9)
Net income	\$ 1,447	\$ 458	\$ 528	\$ 489	\$ (28)
Shareholder value added	\$ 372	\$ 95	\$ 214	\$ 297	\$ (234)
Net interest yield ⁽¹⁾	1.50 %	1.88 %	n/m	2.70 %	n/m
Return on average equity ⁽²⁾	14.36	12.97	18.44 %	27.00	n/m
Efficiency ratio ⁽¹⁾	54.49	38.27	63.99	52.07	n/m
Period end total assets ⁽³⁾	\$ 713,868	\$ 249,151	\$ 423,545	\$ 162,952	n/m

(Dollars in millions)	Three Months Ended March 31, 2006				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income ⁽¹⁾	\$ 2,489	\$ 1,161	\$ 412	\$ 947	\$ (31)
Noninterest income					
Service charges	650	125	33	492	
Investment and brokerage services	246	4	234	8	
Investment banking income	522		522		
Trading account profits	976	15	946	12	3
All other income	385	56	141	171	17
Total noninterest income	2,779	200	1,876	683	20
Total revenue ⁽¹⁾	5,268	1,361	2,288	1,630	(11)
Provision for credit losses	25	16	3	6	
Gains on sales of debt securities	14	9	5		
Noninterest expense	2,832	505	1,473	817	37

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Income before income taxes ⁽¹⁾	2,425	849	817	807	(48)
Income tax expense (benefit) ⁽¹⁾	901	314	303	299	(15)
Net income	\$ 1,524	\$ 535	\$ 514	\$ 508	\$ (33)
Shareholder value added	\$ 425	\$ 115	\$ 215	\$ 301	\$ (206)
Net interest yield ⁽¹⁾	1.77 %	2.10 %	n/m	2.72 %	n/m
Return on average equity ⁽²⁾	14.72	13.12	18.84 %	25.79	n/m
Efficiency ratio ⁽¹⁾	53.75	37.22	64.35	50.12	n/m
Period end total assets ⁽³⁾	\$ 611,208	\$ 231,592	\$ 332,595	\$ 164,709	n/m

⁽¹⁾FTE basis

⁽²⁾Average allocated equity for *Global Corporate Investment Banking* was \$40.9 billion and \$42.0 billion for the three months ended March 31, 2007 and 2006.

⁽³⁾Total assets include asset allocations to match liabilities (i.e., deposits).

n/m = not meaningful

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(Dollars in millions)	Ending Balance		Average Balance	
	March 31		Three Months Ended	
	2007	2006	2007	2006
Total loans and leases	\$ 249,861	\$ 226,974	\$ 247,898	\$ 224,907
Total trading-related assets	333,681	266,822	360,530	315,733
Total market-based earning assets ⁽¹⁾	384,294	292,515	408,113	336,606
Total earning assets ⁽²⁾	628,831	527,234	650,353	568,845
Total assets ⁽²⁾	713,868	611,208	733,036	648,612
Total deposits	210,055	186,817	208,488	186,626

⁽¹⁾Total market-based earning assets represents earning assets from the *Capital Markets and Advisory Services business*.

⁽²⁾Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

GCIB provides a wide range of financial services to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products and advisory solutions. *GCIB*'s products and services are delivered from three primary businesses: *Business Lending*, *Capital Markets and Advisory Services*, and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of *ALM* activities and other *GCIB* activities. Our clients are supported through offices in 23 countries that are divided into four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East, and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 75.

Net income decreased \$77 million, or five percent, for the three months ended March 31, 2007 compared to the same period in 2006. Increases in investment banking income and all other income were more than offset by lower trading account profits in 2007 when compared to the record profits in 2006 and a decrease in net interest income. Net income was also adversely impacted by an increase in provision for credit losses and noninterest expense and a decrease in net interest income.

Although *GCIB* experienced overall growth in average loans and leases of \$23.0 billion, or 10 percent, and an increase in average deposits of \$21.9 billion, or 12 percent, for the three months ended March 31, 2007 compared to the same period in 2006, net interest income declined \$77 million, or three percent, primarily due to spread compression in the loan portfolio and the impact of *ALM* activities. Partially offsetting these decreases was an increase in market-based net interest income.

Noninterest income increased \$130 million, or five percent, for the three months ended March 31, 2007 compared to the same period in 2006 driven largely by the increases in investment banking income and all other income. The increase in investment banking income was driven by continued strength in debt underwriting and mergers and acquisitions deal volume. The increase in all other income was driven primarily by improved results from credit mitigation.

Provision for credit losses increased \$90 million to \$115 million for the three months ended March 31, 2007. The increase was driven by a lower level of commercial recoveries and growth in the retail automotive loan portfolio.

Noninterest expense increased \$68 million, or two percent, for the three months ended March 31, 2007 compared to the same period in 2006, mainly due to higher personnel expense, including performance-based incentive compensation, and increased other general operating costs related to increased investment in infrastructure primarily in *Capital Markets and Advisory Services*.

Business Lending

Business Lending provides a wide range of lending-related products and services to our clients through client relationship teams along with various product partners. Products include commercial and corporate bank loans and commitment facilities which cover our business banking clients, middle market commercial clients and our large multinational corporate clients. Real estate lending products are issued primarily to public and private developers, homebuilders and commercial real estate firms. Leasing and asset-based lending products offer our clients innovative financing solutions. Products also include indirect consumer loans which allow us to offer financing through automotive, marine, motorcycle and recreational vehicle dealerships across the U.S. *Business Lending* also contains the results for the economic hedging of our risk to certain credit counterparties utilizing various risk mitigation tools such as CDS and may also include the results of other products to help reduce hedging costs. Effective January 1, 2007, the Corporation adopted SFAS 159 and elected to account for loans and

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loan commitments to certain large corporate clients at fair value. For more information on the adoption of SFAS 159 see Note 14 of the Consolidated Financial Statements and page 68 for a discussion of loans and loan commitments measured at fair value in accordance with SFAS 159. The impact of SFAS 159 was not material to the results of *Business Lending* for the three months ended March 31, 2007.

Net income decreased \$77 million, or 14 percent, for the three months ended March 31, 2007 compared to the same period in 2006 primarily due to a decrease in net interest income, combined with an increase in provision for credit losses partially offset by an increase in all other income. The decrease in net interest income of \$86 million, or seven percent, was driven by the impact of lower spreads on all loan products partially offset by favorable loan growth. Average loans and leases increased eight percent primarily due to growth in the commercial and indirect consumer loan portfolio including bulk retail automotive loan purchases of \$5.0 billion. The increase in all other income was due to a lower loss in credit mitigation resulting from lower premium costs and spreads widening. Provision for credit losses increased \$89 million to \$105 million for the three months ended March 31, 2007 mainly due to a lower level of commercial recoveries and growth in the retail automotive loan portfolio.

Capital Markets and Advisory Services

Capital Markets and Advisory Services provides products, advisory services and financing globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities, merger-related advisory services and risk management solutions using interest rate, equity, credit and commodity derivatives, foreign exchange, fixed income and mortgage-related products. In support of these activities, the business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, and mortgage-backed and asset-backed securities. Underwriting debt and equity, securities research and certain market-based activities are executed through *Banc of America Securities, LLC* which is a primary dealer in the U.S. and several other countries. *Capital Markets and Advisory Services* also includes the results of *Banc of America Specialist*.

Capital Markets and Advisory Services market-based revenue includes net interest income, noninterest income, including equity income, and gains (losses) on sales of debt securities. We evaluate our trading results and strategies based on market-based revenue. The following table presents further detail regarding market-based revenue. Sales and trading revenue is segregated into fixed income from liquid products (primarily interest rate and commodity derivatives, foreign exchange contracts and public finance), credit products (primarily investment and noninvestment grade corporate debt obligations and credit derivatives), structured products (primarily commercial mortgage-backed securities, residential mortgage-backed securities, and collateralized debt obligations), and equity income from equity-linked derivatives and cash equity activity.

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Investment banking income		
Advisory fees	\$ 130	\$ 76
Debt underwriting	503	380
Equity underwriting	70	66
Total investment banking income	703	522
Sales and trading ⁽¹⁾		
Fixed income:		
Liquid products	407	613
Credit products	477	298
Structured products	352	348
Total fixed income	1,236	1,259
Equity income	421	512
Total sales and trading	1,657	1,771
Total Capital Markets and Advisory Services market-based revenue ⁽¹⁾	\$ 2,360	\$ 2,293

⁽¹⁾Includes gains on sales of debt securities of \$2 million and \$5 million for the three months ended March 31, 2007 and 2006.

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Net income increased \$14 million, or three percent, for the three months ended March 31, 2007 compared to the same period in 2006. Market-based revenue increased \$67 million, or three percent, driven by higher investment banking income of \$181 million, or 35 percent, related to continued strength in debt underwriting. This increase was partially offset by a decrease in sales and trading as strong results in credit products were offset by a decline in liquid products as *Capital Markets and Advisory Services* experienced record sales and trading results in the prior year. Noninterest expense increased \$35 million, or two percent, due to higher personnel expense, including performance-based incentive compensation, and other general operating costs related to continued investment in infrastructure.

Treasury Services

Treasury Services provides integrated working capital management and treasury solutions to clients worldwide through our network of proprietary offices and special clearing arrangements. Our clients include multinationals, middle-market companies, correspondent banks, commercial real estate firms and governments. Our products and services include treasury management, trade finance, foreign exchange, short-term credit facilities and short-term investing options. Net interest income is derived from interest and noninterest-bearing deposits, sweep investments, and other liability management products. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Noninterest income is generated from payment and receipt products, merchant services, wholesale card products, and trade services and is comprised primarily of service charges which are net of market-based earnings credit rates applied against noninterest-bearing deposits.

Net income decreased \$19 million, or four percent, primarily due to a decrease in net interest income and increased noninterest expense. Net interest income decreased \$14 million, or one percent, as an increase in average deposits of \$2.4 billion, or two percent, was more than offset by a client shift from noninterest-bearing to interest-bearing deposits which decreased deposit spreads. Noninterest expense increased \$29 million, or four percent, due to higher personnel expense and other general operating costs related to increased investment in infrastructure.

ALM/Other

ALM/Other includes an allocation of a portion of the Corporation's net interest income from ALM activities as well as our commercial insurance business and commercial operations in Mexico.

Net income increased \$5 million, or 15 percent, for the three months ended March 31, 2007 compared to the same period in 2006.

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(Dollars in millions)	Total	Private Bank	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income ⁽¹⁾	\$ 926	\$ 223	\$ 1	\$ 658	\$ 44
Noninterest income					
Investment and brokerage services	910	251	423	214	22
All other income	52	11	1	35	5
Total noninterest income	962	262	424	249	27
Total revenue ⁽¹⁾	1,888	485	425	907	71
Provision for credit losses	23	21		2	
Noninterest expense	1,017	309	273	410	25
Income before income taxes ⁽¹⁾	848	155	152	495	46
Income tax expense ⁽¹⁾	317	57	56	183	21
Net income	\$ 531	\$ 98	\$ 96	\$ 312	\$ 25
Shareholder value added	\$ 277	\$ 63	\$ 60	\$ 271	\$ (117)
Net interest yield ⁽¹⁾	3.19 %	2.76 %	n/m	2.86 %	n/m
Return on average equity ⁽²⁾	21.59	27.61	23.06 %	78.28	n/m
Efficiency ratio ⁽¹⁾	53.90	63.80	64.19	45.16	n/m
Period end total assets ⁽³⁾	\$ 128,547	\$ 33,983	\$ 3,185	\$ 98,138	n/m

Three Months Ended March 31, 2006

(Dollars in millions)	Total	Private Bank	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income ⁽¹⁾	\$ 939	\$ 224	\$ (9)	\$ 628	\$ 96
Noninterest income					
Investment and brokerage services	814	246	363	179	26
All other income	76	37	10	23	6
Total noninterest income	890	283	373	202	32
Total revenue ⁽¹⁾	1,829	507	364	830	128
Provision for credit losses		(4)		3	1
Noninterest expense	967	307	239	386	35
Income before income taxes ⁽¹⁾	862	204	125	441	92
Income tax expense ⁽¹⁾	320	75	46	163	36
Net income	\$ 542	\$ 129	\$ 79	\$ 278	\$ 56
Shareholder value added	\$ 272	\$ 98	\$ 45	\$ 238	\$ (109)
Net interest yield ⁽¹⁾	3.67 %	3.03 %	n/m	3.00 %	n/m
Return on average equity ⁽²⁾	20.67	39.89	19.94 %	70.69	n/m
Efficiency ratio ⁽¹⁾	52.88	60.54	65.66	46.45	n/m
Period end total assets ⁽³⁾	\$ 112,399	\$ 30,877	\$ 2,804	\$ 87,681	n/m

⁽¹⁾ FTE basis⁽²⁾ Average allocated equity for *GWIM* was \$10.0 billion and \$10.6 billion for the three months ended March 31, 2007 and 2006.

⁽³⁾Total assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

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(Dollars in millions)	Ending Balance		Average Balance	
	March 31		Three Months Ended	
	2007	2006	2007	2006
Total loans and leases	\$ 66,695	\$ 58,893	\$ 65,841	\$ 58,146
Total earning assets ⁽¹⁾	120,725	104,629	117,654	103,664
Total assets ⁽¹⁾	128,547	112,399	125,235	111,223
Total deposits	118,125	102,289	114,958	101,028

⁽¹⁾Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

GWIM provides a wide offering of customized banking, investment and brokerage services tailored to meet the changing wealth management goals of our individual and institutional customer base. Our clients have access to a range of services offered through three primary businesses: *The Private Bank, Columbia Management (Columbia)*, and *Premier Banking and Investments (PB&I)*. In addition, *ALM/Other* primarily includes the results of *ALM* activities.

Net income was relatively flat at \$531 million for the three months ended March 31, 2007 compared to the same period in 2006, as an increase in total revenue was more than offset by an increase in noninterest expense and higher credit costs related to one client.

Net interest income was essentially flat at \$926 million for the three months ended March 31, 2007 compared to the same period in 2006 due to a decline in *ALM* activities partially offset by growth in both deposit and loan net interest income. Deposit and loan net interest income growth was driven by higher balance growth but was partially offset by spread compression on loans and product mix and rate changes on deposits. *GWIM* deposit growth also benefited from the migration of deposits from *GCSBB*. A more detailed discussion regarding migrated deposit balances is provided in the *PB&I* discussion.

Noninterest income increased \$72 million, or eight percent, for the three months ended March 31, 2007 compared to the same period in 2006, due to increases in investment and brokerage services driven by higher levels of AUM and higher brokerage activity. The increase in noninterest income was partially offset by a nonrecurring gain recorded in the same period in 2006.

Provision for credit losses increased to \$23 million for the three months ended March 31, 2007 as credit costs were impacted by one client.

Noninterest expense increased \$50 million, or five percent, for the three months ended March 31, 2007 compared to the same period in 2006, primarily due to increases in personnel expense driven by the addition of sales associates and revenue generated expenses.

Client Assets

Client assets consist of AUM, client brokerage assets, and assets in custody. AUM generate fees based on a percentage of their market value. They consist largely of mutual funds and separate accounts, which are comprised of taxable and nontaxable money market products, equities, and taxable and nontaxable fixed income securities. Client brokerage assets represent a source of commission revenue and fees. Assets in custody represent trust assets administered for customers. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Client Assets

(Dollars in millions)	March 31	
	2007	2006
Assets under management	\$ 547,448	\$ 493,930
Client brokerage assets ⁽¹⁾	209,106	187,222
Assets in custody	100,008	96,934
Less: Client brokerage assets and assets in custody included in assets under management	(64,636)	(51,091)
Total net client assets	\$ 791,926	\$ 726,995

⁽¹⁾Client brokerage assets include non-discretionary brokerage and fee-based assets.

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AUM increased \$53.5 billion, or 11 percent, as of March 31, 2007 compared to the same period in 2006. The increase was driven by \$40.5 billion in net inflows as well as \$13.0 billion in market appreciation. Client brokerage assets increased by \$21.8 billion, or 12 percent, reflecting growth in full service assets of nine percent, as well as 35 percent growth in self-directed assets. Growth in self-directed assets benefited from the launch of \$0 Online Equity Trades which were offered beginning in the fourth quarter of 2006. Assets in custody increased \$3.0 billion, or three percent, as of March 31, 2007 compared to the same period in 2006.

The Private Bank

The Private Bank provides integrated wealth management solutions to high net-worth individuals, middle-market institutions and charitable organizations with investable assets greater than \$3 million. *The Private Bank* provides investment, trust and banking services as well as specialty asset management services (oil and gas, real estate, farm and ranch, timberland, private businesses and tax advisory). *The Private Bank* also provides integrated wealth management solutions to ultra high net worth individuals and families with investable assets greater than \$50 million through its *Family Wealth Advisors* unit. *Family Wealth Advisors* provides a higher level of contact, tailored service and wealth management solutions addressing the complex needs of their clients.

Net income decreased \$31 million, or 24 percent, for the three months ended March 31, 2007 compared to the same period in 2006, primarily due to an increase in provision for credit losses and a decrease in total noninterest income. The decrease in noninterest income is due to the absence of a nonrecurring gain for the same period in 2006. Provision for credit losses increased to \$21 million for the three months ended March 31, 2007 as credit costs were impacted by one client.

In November 2006, the Corporation announced a definitive agreement to acquire U.S. Trust for \$3.3 billion in cash. U.S. Trust is one of the largest and most respected U.S. firms which focuses exclusively on managing wealth for high net-worth and ultra high net worth individuals and families. The acquisition will significantly increase the size and capabilities of the Corporation's wealth business and position it as one of the largest financial services companies managing private wealth in the U.S. The transaction is expected to close in the third quarter of 2007.

Columbia Management

Columbia is an asset management business serving the needs of both institutional clients and individual customers. *Columbia* provides asset management services, including mutual funds, liquidity strategies and separate accounts. *Columbia* mutual fund offerings provide a broad array of investment strategies and products including equities, fixed income (taxable and non-taxable) and money market (taxable and non-taxable) funds. *Columbia* distributes its products and services directly to institutional clients, and distributes to individuals through *The Private Bank*, *Family Wealth Advisors*, *Premier Banking and Investments*, and nonproprietary channels including other brokerage firms.

Net income increased \$17 million, or 22 percent, for the three months ended March 31, 2007 compared to the same period in 2006, primarily as a result of an increase in investment and brokerage services of \$60 million, or 17 percent. This increase was due to higher AUM driven by net inflows and market appreciation. Partially offsetting this increase was an increase of \$34 million, or 14 percent, in noninterest expense primarily due to higher personnel costs including revenue-based compensation and other operating costs.

Premier Banking and Investments

PB&I includes *Banc of America Investments*, our full-service retail brokerage business and our *Premier Banking* channel. *PB&I* brings personalized banking and investment expertise through priority service with client-dedicated teams. *PB&I* provides a high-touch client experience through a network of approximately 5,700 client facing associates to our affluent customers with a personal wealth profile that includes investable assets plus a mortgage that exceeds \$500,000 or at least \$100,000 of investable assets.

Net income increased \$34 million, or 12 percent, for the three months ended March 31, 2007 compared to the same period in 2006 due to increases in noninterest income and net interest income. The increase in noninterest income of

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\$47 million, or 23 percent, was driven by higher investment and brokerage services. The increase in net interest income of \$30 million, or five percent, was primarily driven by higher average loan and deposit balances partially offset by spread compression. Noninterest expense increased \$24 million, or six percent, primarily due to increases in personnel expense driven by the *PB&I* expansion of client managers and financial advisors and higher performance-based compensation.

Prior to January 1, 2007, *ALM/Other* included the impact of the migrating qualifying affluent customers, including their related deposit balances and associated net interest income, from *GCSBB* to our *PB&I* model. Effective January 1, 2007, the deposit migration impact is now included in *PB&I*. Prior period amounts have been adjusted for this change.

For the three months ended March 31, 2007 and 2006, a total of \$3.6 billion and \$3.2 billion of deposits were migrated from *GCSBB* to *PB&I*. The growth reported in the financial results of *PB&I* include both the impact of migration, as well as the impact of incremental organic growth from providing a broader array of financial products and services to *PB&I* customers. For the three months ended March 31, 2007 compared to the same period in 2006, the reported growth in *PB&I* revenues was nine percent of which approximately seven percent was attributable to the impact of migration and two percent reflected incremental organic growth. For the same period, *PB&I* net income grew 12 percent, of which approximately 10 percent was attributable to the impact of migration, and two percent reflected incremental organic growth.

ALM/Other

ALM/Other primarily includes the results of ALM activities.

Net income decreased \$31 million, or 55 percent, for the three months ended March 31, 2007 compared to the same period in 2006 due to a decline in net interest income. Net interest income decreased \$52 million due to a significant reduction in the contribution from ALM activities.

All Other

(Dollars in millions)	For the Three Months Ended March 31, 2007			For the Three Months Ended March 31, 2006		
	Reported Basis	Securitized Impact ⁽¹⁾	As Adjusted	Reported Basis	Securitized Impact ⁽¹⁾	As Adjusted
Net interest income ⁽²⁾	\$ (1,769)	\$ 1,890	\$ 121	\$ (1,480)	\$ 1,946	\$ 466
Noninterest income						
Card income	722	(839)	(117)	1,168	(1,402)	(234)
Equity investment gains	896		896	571		571
All other income	(58)	77	19	(257)	110	(147)
Total noninterest income	1,560	(762)	798	1,482	(1,292)	190
Total revenue ⁽²⁾	(209)	1,128	919	2	654	656
Provision for credit losses	(1,314)	1,128	(186)	(656)	654	(2)
Gains on sales of debt securities	61		61	1		1
Merger and restructuring charges ⁽³⁾	111		111	98		98
All other noninterest expense	341		341	415		415
Income before income taxes ⁽²⁾	714		714	146		146
Income tax expense (benefit) ⁽²⁾	133		133	(50)		(50)
Net income	\$ 581	\$	\$ 581	\$ 196	\$	\$ 196
Shareholder value added	\$ 173	\$	\$ 173	\$ (71)	\$	\$ (71)

⁽¹⁾The securitizations impact on net interest income is based on a funds transfer pricing methodology consistent with the way we allocate funding costs to our businesses.

⁽²⁾FTE basis

⁽³⁾For more information on merger and restructuring charges, see Note 2 of the Consolidated Financial Statements.

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All Other includes the offsetting securitization impact to present *GCSBB* on a managed basis which assumes that *GCSBB*'s securitized loans have not been sold. This offsetting adjustment is made to report the consolidated results of the

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Corporation on a GAAP basis. See the *GCSBB* section beginning on page 44 for information on the *GCSBB* managed results. The following *All Other* discussion focuses on the results on an adjusted basis excluding the offsetting securitization impact. For additional information, see Note 16 of the Consolidated Financial Statements.

In addition to the offsetting securitization impact discussed above, *All Other* includes our *Equity Investments* businesses and *Other*.

Equity Investments includes Principal Investing, Corporate Investments and Strategic Investments. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. These investments are made either directly in a company or held through a fund and are accounted for at fair value. Corporate Investments primarily includes investments in publicly-traded equity securities and funds and are accounted for as AFS marketable equity securities. Strategic Investments includes the Corporation's strategic investments such as CCB, Grupo Financiero Santander Serfin (Santander), Banco Itaú and other investments. The restricted shares of CCB and Banco Itaú are currently carried at cost but, as required by GAAP, will be accounted for as AFS marketable equity securities and carried at fair value with an offset to accumulated OCI starting one year prior to the lapse of their restrictions. Our investment in Santander is accounted for under the equity method of accounting. Income associated with *Equity Investments* is recorded in equity investment gains.

The following table presents the components of *All Other*'s equity investment gains and a reconciliation to the total consolidated equity investment gains for the three months ended March 31, 2007 and 2006.

Components of Equity Investment Gains

(Dollars in millions)	Three Months Ended March 31	
	2007	2006
Principal Investing	\$ 575	\$ 326
Corporate and Strategic Investments	321	245
Total equity investment gains included in All Other	896	571
Total equity investment gains included in the business segments	118	147
Total consolidated equity investment gains	\$ 1,014	\$ 718

The *Other* component of *All Other* includes the residual impact of the allowance for credit losses and the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain businesses that are expected to be or have been sold or liquidated. *Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting treatment, certain gains or losses on sales of whole mortgage loans, and gains (losses) on sales of debt securities. The objective of the funds transfer pricing allocation methodology is to minimize the impact to the businesses from changes in interest rate and foreign exchange fluctuations. *Other* also includes adjustments to noninterest income and income tax expense to remove the FTE impact of items (primarily low-income housing tax credits) that have been grossed up within noninterest income to a FTE amount in the other segments.

Net income increased \$385 million to \$581 million driven primarily by increases in total noninterest income. The decrease in the provision for credit losses further contributed to the increase in net income. These changes were partially offset by a decrease in net interest income.

Net interest income decreased \$345 million resulting primarily from the sale of the Latin American operations and Hong Kong based retail and commercial banking business which were included in the Corporation's 2006 results. Net interest income was also adversely impacted by the adoption of FSP 13-2 which decreased net interest income by approximately \$65 million.

Total noninterest income increased \$608 million driven by increases in equity investment gains and all other income. The increase in equity investment gains of \$325 million was primarily due to favorable market conditions driving liquidity in the Principal Investing portfolio. The increase in all other income of \$166 million was primarily due to 2006 containing a \$175 million mark-to-market loss for certain economic hedges that did not qualify for SFAS 133 hedge accounting.

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Provision for credit losses decreased \$184 million to negative \$186 million for the three months ended March 31, 2007 as compared to negative \$2 million in the same period a year ago. This decrease resulted primarily from reserve reductions due to the sale of our Argentina portfolio.

Merger and restructuring charges were \$111 million for the three months ended March 31, 2007 compared to \$98 million for the same period in 2006. For additional information on merger and restructuring charges, see Note 2 of the Consolidated Financial Statements.

Income tax expense (benefit) was \$133 million for the three months ended March 31, 2007 compared to \$(50) million for the same period in 2006. The increase in expense was primarily driven by higher pre-tax income during the first quarter of 2007.

Off-Balance Sheet Financing Entities

Off-Balance Sheet Commercial Paper Conduits

In addition to traditional lending, we also support our customers' financing needs by facilitating their access to the commercial paper markets. These markets provide an attractive, lower-cost financing alternative for our customers. Our customers sell or otherwise transfer assets, such as high-grade trade or other receivables or leases, to a commercial paper financing entity, which in turn issues high-grade short-term commercial paper that is collateralized by the underlying assets. The purpose and use of these entities are more fully discussed on page 43 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's 2006 Annual Report on Form 10-K.

We receive fees for providing combinations of liquidity and SBLCs or similar loss protection commitments to the commercial paper financing entities. We manage our credit risk on these commitments by subjecting them to our normal underwriting and risk management processes. At March 31, 2007 and December 31, 2006, we had off-balance sheet liquidity commitments and SBLCs to these entities of \$42.2 billion and \$36.7 billion. Substantially all of these liquidity commitments and SBLCs mature within one year. These amounts are included in Table 8. Net revenues earned from fees associated with these off-balance sheet financing entities were \$23 million and \$17 million for the three months ended March 31, 2007 and 2006.

Qualified Special Purpose Entities

To improve our capital position and diversify funding sources, we also sell assets, primarily loans, to other off-balance sheet entities that obtain financing primarily by issuing term notes and, in some cases, commercial paper, that are collateralized by the underlying assets to third party market participants. These entities are QSPEs that have been isolated beyond our reach or that of our creditors, even in the event of bankruptcy or other receivership. The purpose and use of these entities are more fully discussed beginning on page 44 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's 2006 Annual Report on Form 10-K.

We may provide liquidity or loss protection commitments to certain QSPEs that issue commercial paper or notes with similar repricing characteristics, or we may enter into derivatives with these entities in which we assume certain risks. We manage any credit or market risk on commitments or derivatives through normal underwriting and risk management processes. At March 31, 2007 and December 31, 2006, we had off-balance sheet liquidity commitments and other financial guarantees to these entities of \$6.3 billion and \$7.6 billion, for which we received fees of \$3 million for both the three months ended March 31, 2007 and 2006. Substantially all of these commitments mature within one year and are included in Table 8. Derivative activity related to these entities is included in Note 4 of the Consolidated Financial Statements.

Obligations and Commitments

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. These obligations are more fully discussed in Note 10 of the Consolidated Financial Statements and Notes 12 and 13 of the Consolidated Financial Statements of the Corporation's 2006 Annual Report on Form 10-K.

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Many of our lending relationships contain funded and unfunded elements. The funded portion is reflected on our balance sheet. For lending relationships carried at historical cost, the unfunded component of these commitments is not recorded on our balance sheet until a draw is made under the credit facility; however, a reserve is established for probable losses. For lending commitments for which the Corporation has elected to account for under SFAS 159, the fair value of the commitment is recorded in accrued expenses and other liabilities. These commitments, as well as guarantees, are more fully discussed in Note 10 of the Consolidated Financial Statements. For more information on the adoption of SFAS 159, see Note 14 of the Consolidated Financial Statements.

The following table summarizes the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date. At March 31, 2007, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of \$9.6 billion (related outstandings of \$212 million) were not included in credit card line commitments in the table below.

Table 8**Credit Extension Commitments**

	March 31, 2007		
	Expires in		
(Dollars in millions)	1 year or less	Thereafter	Total
Loan commitments ⁽¹⁾	\$ 162,213	\$ 184,171	\$ 346,384
Home equity lines of credit	1,680	101,046	102,726
Standby letters of credit and financial guarantees	29,412	23,823	53,235
Commercial letters of credit	4,027	281	4,308
Legally binding commitments ⁽²⁾	197,332	309,321	506,653
Credit card lines	855,467	14,359	869,826
Total credit extension commitments	\$ 1,052,799	\$ 323,680	\$ 1,376,479

⁽¹⁾Included at March 31, 2007, are equity commitments of \$1.7 billion related to obligations to further fund equity investments.

⁽²⁾At March 31, 2007, total legally binding commitments included commitments measured at fair value in accordance with SFAS 159 with an aggregate committed exposure of \$21.5 billion. These commitments are reflected at notional value and do not include the fair value of the commitments of \$377 million recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

Managing Risk

Our management governance structure enables us to manage all major aspects of our business through an integrated planning and review process that includes strategic, financial, associate, customer and risk planning. We derive much of our revenue from managing risk from customer transactions for profit. In addition to qualitative factors, we utilize quantitative measures to optimize risk and reward trade offs in order to achieve growth targets and financial objectives while reducing the variability of earnings and minimizing unexpected losses. Risk metrics that allow us to measure performance include economic capital targets, SVA targets and corporate risk limits. By allocating economic capital to a business unit, we effectively define that unit's ability to take on risk. Review and approval of business plans incorporates approval of economic capital allocation, and economic capital usage is monitored through financial and risk reporting. Country, trading, asset allocation and other limits supplement the allocation of economic capital. These limits are based on an analysis of risk and reward in each business unit and management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. Our risk management process continually evaluates risk and appropriate metrics needed to measure it. Our business exposes us to the following major risks: strategic, liquidity, credit, market and operational. For a more detailed discussion of our risk management activities, see pages 46 through 81 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's 2006 Annual Report on Form 10-K.

Strategic Risk Management

We use an integrated planning process to help manage strategic risk. A key component of the planning process aligns strategies, goals, tactics and resources throughout the enterprise. The process begins with the creation of a corporate-wide

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business plan which incorporates an assessment of the strategic risks. This business plan establishes the corporate strategic direction. The planning process then cascades through the business units, creating business unit plans that are aligned with the Corporation's strategic direction. At each level, tactics and metrics are identified to measure success in achieving goals and assure adherence to the plans. As part of this process, the business units continuously evaluate the impact of changing market and business conditions, and the overall risk in meeting objectives. See the Operational Risk Management section on page 87 for a further description of this process. Corporate Audit in turn monitors, and independently reviews and evaluates, the plans and measurement processes.

One of the key tools we use to manage strategic risk is economic capital allocation. Through the economic capital allocation process, we effectively manage each business unit's ability to take on risk. Review and approval of business plans incorporates approval of economic capital allocation, and economic capital usage is monitored through financial and risk reporting. Economic capital allocation plans for the business units are incorporated into the Corporation's operating plan that is approved by the Board on an annual basis.

Liquidity Risk and Capital Management

Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. A more detailed discussion of our liquidity risk is included beginning on page 48 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's 2006 Annual Report on Form 10-K.

One ratio that can be used to monitor the stability of funding composition is the loan to domestic deposit ratio. This ratio reflects the percent of loans and leases that are funded by domestic deposits, a relatively stable funding source. A ratio below 100 percent indicates that our loan portfolio is completely funded by domestic deposits. The ratio was 121 percent at March 31, 2007 compared to 118 percent at December 31, 2006. The increase was primarily attributable to organic growth in the loan and lease portfolio, and a decision to retain a larger share of mortgage production on the Corporation's balance sheet.

The parent company maintains a cushion of excess liquidity that would be sufficient to fully fund holding company and nonbank affiliate operations for an extended period during which funding from normal sources is disrupted. The primary measure used to assess the parent company's liquidity is the Time to Required Funding during such a period of liquidity disruption. As of March 31, 2007, Time to Required Funding was 23 months compared to 24 months at December 31, 2006.

We originate loans for retention on our balance sheet and for distribution. As part of our originate to distribute strategy, commercial loan originations are distributed through syndication structures, and residential mortgages originated by *Consumer Real Estate* are frequently distributed in the secondary market. In connection with our balance sheet management activities, we may retain mortgage loans originated as well as purchase and sell loans based on our assessment of market conditions.

Regulatory Capital

As a regulated financial services company, we are governed by certain regulatory capital requirements. Presented in Table 9 are the regulatory capital ratios, actual capital amounts and minimum required capital amounts for the Corporation, Bank of America, N.A., and FIA Card Services, N.A., at March 31, 2007 and December 31, 2006. There have been no conditions or events since March 31, 2007 that management believes have changed the Corporation's, Bank of America, N.A.'s and FIA Card Services, N.A.'s capital classifications.

Table of Contents**Table 9****Regulatory Capital**

	March 31, 2007			December 31, 2006		
	Ratio	Actual	Minimum	Ratio	Actual	Minimum
(Dollars in millions)						
Risk-based capital						
Tier 1						
Bank of America Corporation	8.57 %	\$ 91,112	\$ 42,516	8.64 %	\$ 91,064	\$ 42,181
Bank of America, N.A.	8.70	75,508	34,698	8.89	76,174	34,264
FIA Card Services, N.A.	15.58	20,484	5,257	14.08	19,562	5,558
Total						
Bank of America Corporation	11.94	126,958	85,031	11.88	125,226	84,363
Bank of America, N.A.	11.17	96,882	69,396	11.19	95,867	68,529
FIA Card Services, N.A.	18.53	24,357	10,515	17.02	23,648	11,117
Tier 1 Leverage						
Bank of America Corporation	6.25	91,112	43,719	6.36	91,064	42,935
Bank of America, N.A.	6.44	75,508	35,188	6.63	76,174	34,487
FIA Card Services, N.A.	17.15	20,484	3,583	16.88	19,562	3,478

⁽¹⁾Dollar amount required to meet guidelines for adequately capitalized institutions.

Table 10 reconciles the Corporation's Total Shareholders' Equity to Tier 1 and Total Capital as defined by the regulations issued by the FRB at March 31, 2007 and December 31, 2006.

Table 10**Reconciliation of Tier 1 and Total Capital**

	March 31 2007	December 31 2006
(Dollars in millions)		
Tier 1 Capital		
Total shareholders' equity	\$ 134,856	\$ 135,272
Goodwill	(65,696)	(65,662)
Nonqualifying intangible assets ⁽¹⁾	(3,781)	(3,782)
Effect of net unrealized losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net of tax	6,369	6,565
Unamortized net periodic benefit costs recorded in accumulated OCI, net of tax	1,397	1,428
Trust securities ⁽²⁾	16,600	15,942
Other	1,367	1,301
Total Tier 1 Capital	91,112	91,064
Long-term debt qualifying as Tier 2 Capital	26,514	24,546
Allowance for loan and lease losses	8,732	9,016
Reserve for unfunded lending commitments	374	397
Other	226	203
Total Capital	\$ 126,958	\$ 125,226

⁽¹⁾Nonqualifying intangible assets of the Corporation are comprised of certain core deposit intangibles, affinity relationships, and other intangibles.

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⁽²⁾Trust Securities are net of unamortized discounts.

In November 2006, the Corporation announced a definitive agreement to acquire U.S. Trust for \$3.3 billion in cash. The transaction is expected to close in the third quarter of 2007. The Corporation anticipates that its Tier 1 and Total Capital Ratios will be negatively impacted by approximately 30 bps and its Tier 1 Leverage Ratio will be negatively impacted by approximately 20 bps upon the acquisition of U.S. Trust.

Dividends

In April 2007, the Board declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on June 22, 2007 to common shareholders of record on June 1, 2007.

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In January 2007, the Board declared a quarterly cash dividend of \$0.56 per common share payable on March 23, 2007 to shareholders of record on March 2, 2007.

In April 2007, the Board also declared three dividends in regards to preferred stock. The first was a \$1.75 regular cash dividend on the Cumulative Redeemable Preferred Stock, Series B, payable July 25, 2007 to shareholders of record on July 11, 2007. The second was a regular quarterly cash dividend of \$0.38775 per depositary share on the Series D Preferred Stock, payable June 14, 2007 to shareholders of record on May 31, 2007. The third declared dividend was a regular quarterly cash dividend of \$0.35291 per depositary share of the Floating Rate Non-Cumulative Preferred Stock, Series E, payable May 15, 2007 to shareholders of record on April 30, 2007.

In January 2007, the Board declared three dividends in regards to preferred stock. The first was a \$1.75 regular cash dividend on the Cumulative Redeemable Preferred Stock, Series B, payable April 25, 2007 to shareholders of record on April 11, 2007. The second was a regular quarterly cash dividend of \$0.38775 per depositary share on the Series D Preferred Stock, payable March 14, 2007 to shareholders of record on February 28, 2007. The third declared dividend was a regular quarterly cash dividend of \$0.40106 per depositary share of the Floating Rate Non-Cumulative Preferred Stock, Series E, payable February 15, 2007 to shareholders of record on January 31, 2007.

Common Share Repurchases

We may continue to repurchase shares, from time to time, in the open market or in private transactions through our approved repurchase programs. We repurchased approximately 48.0 million shares of common stock for the three months ended March 31, 2007 which more than offset the 28.9 million shares issued under employee stock plans.

In January 2007, the Board authorized a stock repurchase program of an additional 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion and is limited to a period of 12 to 18 months.

In April 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion to be completed within a period of 12 to 18 months of which the lesser of approximately \$2.4 billion, or 15.1 million shares, remains available for repurchase under the program at March 31, 2007.

For additional information on common share repurchases, see Note 11 of the Consolidated Financial Statements.

Credit Risk Management

Credit risk is the risk of loss arising from the inability of a borrower or counterparty to meet its obligations. Credit risk can also arise from operational failures that result in an advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications including loans and leases, derivatives, trading account assets, assets held-for-sale, and unfunded lending commitments that include loan commitments, letters of credit and financial guarantees. For derivative positions, our credit risk is measured as the net replacement cost in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those contracts. We use the current mark-to-market value to represent credit exposure without giving consideration to future mark-to-market changes. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements and cash collateral. Our consumer and commercial credit extension and review procedures take into account funded and unfunded credit exposures. For additional information on derivatives and credit extension commitments, see Notes 4 and 10 of the Consolidated Financial Statements.

For credit risk purposes, we evaluate our consumer businesses on both a held and managed basis. Managed basis assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. We evaluate credit performance on a managed basis as the receivables that have been securitized are subject to the same underwriting standards and ongoing monitoring as held loans. In addition to the discussion of credit quality statistics of both held and managed loans included in this section refer to the *Card Services* discussion beginning on page 46.

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We manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. We classify our portfolios as either consumer or commercial and monitor credit risk separately as discussed below.

Consumer Portfolio Credit Risk Management

For a detailed discussion of our consumer portfolio credit risk management process, see page 53 of Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation's 2006 Annual Report on Form 10-K.

Management of Consumer Credit Risk Concentrations

Consumer credit risk exposure is managed geographically and through our various product offerings with a goal that concentrations of credit exposure do not result in undesirable levels of risk. Our consumer loan portfolio in the state of California represented 23 percent and 22 percent of total managed consumer loans at March 31, 2007 and December 31, 2006 primarily driven by the residential mortgage portfolio. No single Metropolitan Statistical Area (MSA) within California or any other state represented more than 10 percent of the total consumer portfolio. The residential mortgage loans to borrowers in the state of California represented 32 percent and 31 percent of total residential mortgage loans at March 31, 2007 and December 31, 2006. As discussed below, the credit risk on 69 percent of these residential mortgage loans was mitigated through purchased credit protection designed to enhance our overall risk management strategy. No other state represented more than 10 percent of our total residential mortgage loan portfolio.

We purchase credit protection on certain portions of our portfolio that is designed to enhance our overall risk management strategy. At March 31, 2007 and December 31, 2006, we had mitigated a portion of our credit risk on approximately \$154.7 billion and \$131.0 billion of consumer loans primarily residential mortgage loans, through the purchase of credit protection. Our regulatory risk-weighted assets were reduced as a result of these transactions because we transferred a portion of our credit risk to unaffiliated parties. At March 31, 2007 and December 31, 2006, these transactions had the cumulative effect of reducing our risk-weighted assets by \$41.1 billion and \$36.4 billion, and resulted in increases of 33 bps and 30 bps in our Tier 1 Capital ratio at March 31, 2007 and December 31, 2006.

Consumer Credit Portfolio

Table 11 presents our held and managed consumer loans and leases, and related credit quality information. Overall, consumer credit quality remained sound.

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Table 11

Consumer Loans and Leases

	Outstandings		Nonperforming ^(1, 2)		Accruing Past		Net Charge-offs / Losses	Net Charge-off /		
					Due 90 Days or			Loss Ratios ⁽⁴⁾		
			More ⁽³⁾		Three Months	Three Months				
	March 31	December 31	March 31	December 31		March 31	December 31	Ended March 31	Ended March 31	
(Dollars in millions)	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Held basis										